

**MULTAN ELECTRIC POWER  
COMPANY LIMITED**

**FINANCIAL STATEMENTS WITH  
ACCOMPANYING INFORMATION**

**30 JUNE 2019**

## INDEPENDENT AUDITOR'S REPORT

### To the members of Multan Electric Power Company Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Multan Electric Power Company Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

We draw attention to the following matters:

- a) Note 12.1.1 to the financial statements, which states that the Company has not recognized the impact of debit notes issued by Central Power Purchasing Agency (Guarantee) Limited (CPPA) for supplementary charges, being the mark-up charged on CPPA by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rupees 13,244.70 million.

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- b) Note 12.1.2 to the financial statements, interest on workers' profit participation fund amounting to Rupees 1,531.48 million was not accounted for by the Company. Moreover, workers' profit participation fund of previous years along with related interest was not paid to the workers due to pending decision of Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA.

Our opinion is not modified in respect of these matters.

## **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as

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applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

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- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

The engagement partner on the audit resulting in this independent auditor's report is Liaqat Ali Panwar.

*Riaz Ahmad & Co.*  
**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Faisalabad

Date: 05 OCT 2019

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	2019 RUPEES	2018 RUPEES Restated	2017 RUPEES Restated	ASSETS	NOTE	2019 RUPEES	2018 RUPEES Restated	2017 RUPEES Restated
<b>EQUITY AND LIABILITIES</b>								
<b>SHARE CAPITAL AND RESERVES</b>								
Authorized share capital	50,000,000,000	50,000,000,000	50,000,000,000					
5 000 000 000 (2018: 5 000 000 000) ordinary shares of Rupees 10 each								
<b>Issued, subscribed and paid up share capital</b>	10,823,636,048	10,823,636,048	10,823,636,048	Property, plant and equipment	13	108,889,817,854	100,028,337,227	91,088,703,476
Deposit for shares	31,337,632,169	30,590,260,624	32,508,450,451	Intangible asset	14	10,101,690	27,397,086	44,692,482
Accumulated loss	(133,599,363,948)	(106,224,501,798)	(61,481,748,121)	Long term advances	15	80,630,425	76,959,810	76,206,044
<b>Total equity</b>	(91,438,095,731)	(64,810,605,126)	(18,149,661,622)	Long term deposits	16	49,185	49,185	49,185
						108,980,599,154	100,132,743,308	91,209,651,187
<b>LIABILITIES</b>								
<b>NON-CURRENT LIABILITIES</b>								
Long term financing	8,811,426,965	9,234,627,888	9,080,648,300	<b>CURRENT ASSETS</b>				
Staff retirement benefits	79,175,417,563	70,394,154,272	56,593,072,377	Stores and spare parts	17	8,103,425,849	5,763,585,227	3,940,715,238
Long term security deposits	9,179,842,474	8,164,534,805	7,210,180,701	Trade debts	18	28,795,204,590	39,045,856,911	27,545,653,037
Receipt against deposit works	20,722,976,017	20,448,934,978	17,393,862,409	Loans and advances	19	349,920,881	411,795,054	250,430,568
Deferred credit	57,194,876,289	52,220,167,587	48,487,702,894	Other receivables	20	57,164,705,281	57,697,402,536	38,758,498,258
Deferred mark-up	175,084,539,308	161,089,107,994	139,057,371,034	Tax refunds due from Government	21	6,679,287,571	10,673,864,099	10,142,850,087
				Accrued interest		103,482,195	48,504,557	40,060,925
				Bank balances	22	10,457,887,798	10,220,738,570	8,862,111,274
						111,653,914,165	123,861,746,954	89,540,319,387
<b>CURRENT LIABILITIES</b>								
Trade and other payables	122,306,645,711	116,046,041,236	49,936,279,621					
Accrued mark-up	9,305,254,845	7,197,300,877	6,302,177,109					
Current portion of long term financing	5,276,169,185	4,472,645,281	3,603,804,432					
	136,988,069,741	127,715,987,394	59,842,261,162					
<b>TOTAL LIABILITIES</b>	312,072,609,049	288,805,095,388	198,899,632,196					
<b>CONTINGENCIES AND COMMITMENTS</b>								
<b>TOTAL EQUITY AND LIABILITIES</b>	220,634,513,318	223,994,490,262	180,749,970,574	<b>TOTAL ASSETS</b>		220,634,513,318	223,994,490,262	180,749,970,574

The annexed notes form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	2019 RUPEES	2018 RUPEES Restated
SALES OF ELECTRICITY - NET	23	165,347,625,359	139,972,299,041
TARIFF DIFFERENTIAL SUBSIDY	24	69,964,631,669	40,264,736,364
		<u>235,312,257,028</u>	<u>180,237,035,405</u>
COST OF ELECTRICITY	25	<u>(225,725,413,330)</u>	<u>(192,693,791,151)</u>
GROSS PROFIT / (LOSS)		9,586,843,698	(12,456,755,746)
AMORTIZATION OF DEFERRED CREDIT	9	2,758,528,394	2,490,165,155
		<u>12,345,372,092</u>	<u>(9,966,590,591)</u>
OPERATING EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION DEPRECIATION ON OPERATING FIXED ASSETS	26	(31,940,190,116)	(21,875,164,839)
AMORTIZATION ON INTANGIBLE ASSETS	13.3 14	(4,693,124,291) (17,295,396)	(4,259,094,586) (17,295,396)
		<u>(36,650,609,803)</u>	<u>(26,151,554,821)</u>
LOSS FROM OPERATIONS		<u>(24,305,237,711)</u>	<u>(36,118,145,412)</u>
OTHER INCOME	27	3,812,922,702	3,426,436,794
FINANCE COST	28	(2,290,013,937)	(1,133,018,209)
LOSS BEFORE TAXATION		<u>(22,782,328,946)</u>	<u>(33,824,726,827)</u>
TAXATION	29	-	-
LOSS AFTER TAXATION		<u>(22,782,328,946)</u>	<u>(33,824,726,827)</u>
LOSS PER SHARE - BASIC	30	<u>(21.05)</u>	<u>(31.25)</u>
LOSS PER SHARE - DILUTED	30	<u>(5.40)</u>	<u>(8.17)</u>

The annexed notes form an integral part of these financial statements.

  
 CHIEF EXECUTIVE OFFICER

  
 DIRECTOR

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019 RUPEES</b>	<b>2018 RUPEES</b>
LOSS AFTER TAXATION	(22,782,328,946)	(33,824,726,827)
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligations	(4,592,533,204)	(10,918,026,850)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year	(4,592,533,204)	(10,918,026,850)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(27,374,862,150)</b>	<b>(44,742,753,677)</b>

The annexed notes form an integral part of these financial statements.


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 CHIEF EXECUTIVE OFFICER


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 DIRECTOR

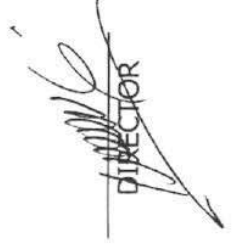


**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	SHARE CAPITAL	DEPOSIT FOR SHARES	ACCUMULATED LOSS	TOTAL EQUITY
-----RUPEES-----				
<b>Balance as at 30 June 2017</b>	10,823,636,048	32,508,450,451	(61,481,748,121)	(18,149,661,622)
Non-cash settlement against deposit for shares		(1,918,189,827)	-	(1,918,189,827)
Loss for the year	-	-	(33,824,726,827)	(33,824,726,827)
Other comprehensive loss for the year	-	-	(10,918,026,850)	(10,918,026,850)
Total comprehensive loss for the year	-	-	(44,742,753,677)	(44,742,753,677)
<b>Balance as at 30 June 2018</b>	10,823,636,048	30,590,260,624	(106,224,501,798)	(64,810,605,126)
Non-cash settlement against deposit for shares (Note 4)		747,371,545	-	747,371,545
Loss for the year	-	-	(22,782,328,946)	(22,782,328,946)
Other comprehensive loss for the year	-	-	(4,592,533,204)	(4,592,533,204)
Total comprehensive loss for the year	-	-	(27,374,862,150)	(27,374,862,150)
<b>Balance as at 30 June 2019</b>	10,823,636,048	31,337,632,169	(133,599,363,948)	(91,438,095,731)

The annexed notes form an integral part of these financial statements.

  
 CHIEF EXECUTIVE OFFICER

  
 DIRECTOR

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	2019 RUPEES	2018 RUPEES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	31	7,901,805,194	8,080,562,288
Finance cost paid		(4,452,579)	(211,502,388)
Income tax paid		-	(1,766,263,571)
Staff retirement benefits paid		(4,329,892,086)	(3,211,289,876)
Payment for Fund contribution regarding pension obligation		(160,224,720)	(456,073,833)
Net increase in long term advances		(2,423,799)	(7,412,918)
<b>Net cash generated from operating activities</b>		3,404,812,010	2,428,019,702
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(13,439,008,582)	(12,923,744,347)
Proceeds from disposal of property, plant and equipment		-	300,000
Profit on bank deposits received		768,437,015	599,174,983
<b>Net cash used in investing activities</b>		(12,670,571,567)	(12,324,269,364)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		554,481,341	1,021,006,491
Repayment of long term financing		(74,158,360)	(28,641,054)
Consumers' security deposits received		1,015,307,669	954,354,104
Receipt against deposit works-net		8,007,278,135	9,308,157,417
<b>Net cash from financing activities</b>		9,502,908,785	11,254,876,958
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		237,149,228	1,358,627,296
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		10,220,738,570	8,862,111,274
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 22)</b>		10,457,887,798	10,220,738,570

The annexed notes form an integral part of these financial statements.

  
 CHIEF EXECUTIVE OFFICER

  
 DIRECTOR

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**1. THE COMPANY AND ITS ACTIVITIES**

- 1.1** Multan Electric Power Company Limited (the Company) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company was established to takeover all the properties, rights, assets, obligations and liabilities of Multan Area Electricity Board (MAEB) owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The Company was incorporated on 14 May 1998 and commenced operation on 09 June 1998. Its registered office is situated at Shahrah-e-Quaid-e-Azam, WAPDA House, Lahore. The principal place of business of the Company is located at Khanewal Road, Multan. While the Company have various 132-KV and 66-KV grid stations along with other offices located in 13 districts of South Punjab including Multan, Pakpattan, Sahiwal, Khanewal, Bahawalnagar, Bahawalpur, Rahim Yar Khan, Lodhran, Dera Ghazi Khan, Layyah, Muzaffargarh, Rajanpur and Vehari. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.
- 1.2** Ministry of Energy, Government of Pakistan vide S.R.O. 07(I)/2019 dated 01 January 2019 has allowed the Prior Year Adjustment (PYA) of Rupees 49.170 billion, which includes Rupees 19.733 billion relating to financial year 2016-17 and Rupees 29.437 billion relating to financial year 2017-18. However, an amount of Rupees 20.105 billion has been recovered during the year and remaining amount of Rupees 29.065 billion has to be recovered in next 6 months after year end. Further, Ministry of Energy, Government of Pakistan vide S.R.O. 667(I)/2019 dated 28 June 2019 has allowed an amount of Rupees 34.633 billion as quarterly adjustment on account of Power Purchase Cost relating to first half of financial year 2018-19, which will be recovered in next fifteen months after year end. If these adjustments had been allowed in the respective years, the revenue for years ended 30 June 2017, 30 June 2018 and 30 June 2019 would have been increased by Rupees 19.733 billion, Rupees 29.437 billion and Rupees 34.633 billion respectively. Consequently, accumulated loss would have been reduced by Rupees 63.698 billion.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

**2.1 Basis of preparation**

**a) Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**b) Accounting convention**

These financial statements have been prepared under the historical cost convention, except for the staff retirement benefits which are measured at present value determined annually through actuarial valuation on each reporting date.

**c) Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

**Useful lives, patterns of economic benefits and impairments**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

### **Provision for obsolescence of stores and spare parts**

The Company reviews the carrying amount of stores and spare parts on regular basis and provision for obsolescence is made if there is any change in usage pattern and physical form of stores and spare parts.

### **Taxation**

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

### **Allowance for expected credit losses**

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, based on the Company's experience of actual credit loss in past years.

### **Staff retirement benefits**

Certain actuarial assumptions have been adopted for determination of present value of staff retirement benefits and fair value of plan assets. Any change in these assumptions in future years might affect the current and remeasurement gains and losses in those years.

### **d) Implication of revised IFRS 2 'Share-based Payment'**

On 14 August 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs), including the Company and Non-State Owned Enterprises (Non-SOEs), where the GoP holds significant investments. The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer the Scheme, the Government shall transfer 12 percent of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a trust deed, created for the purpose by each such entity. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or break-up value of non-listed entities. The shares relating to the surrendered units would be transferred back to the GoP.

The Scheme also provides that 50 percent of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holding employees. The balance 50 percent dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by the Government. The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, needs to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representations from some of entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated 07 June 2011 to such entities from the application of IFRS 2 to the Scheme.

### **e) Standards, interpretation and amendments to published approved accounting standards that are effective in current year and are relevant to the Company**

Following standards, interpretation and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to IFRSs: 2014 – 2016 Cycle

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9. These are disclosed in Note 2.9. Most of the other amendments listed above except for IFRS 9 and IFRS 15 (as disclosed in Note 2.10) did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

### **f) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**g) Standards, interpretation and amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following standards, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2019 or later periods:

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard in the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the Solely Payments of Principal and Interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

Amendments to IAS 19 , 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs', relevant to the Company. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the IASB has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, de-recognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRSs. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

**h) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Company**

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

## **2.2 Functional and presentation currency along with foreign currency transactions and translation**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

## **2.3 Staff retirement benefits**

The Company provides funded pension scheme, an unfunded free electricity scheme and an unfunded free medical facility scheme for all its employees. Further, the Company's employees are also entitled for accumulated compensated absences which are encashed at the time of retirement upto maximum limit of 365 days. The Company's obligations under these schemes are determined annually by a qualified actuary using Projected Unit Credit Actuarial Cost Method. Latest actuarial valuations have been carried on 30 June 2019. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Past service cost is recognized immediately in the statement of profit or loss.

Remeasurement of the net defined benefit liability (except for compensated absences), which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefits payments. Net interest expense and other expenses related to defined benefit plan is recognized in profit or loss. Remeasurement related to the compensated absences is recognized in the year of occurrence in the statement of profit or loss.

### **2.3.1 General / Employees' Provident Fund**

For General / Employees' Provident Fund and WAPDA Welfare Fund, the Company makes deduction from salaries of the employees and remits these amounts to the funds established by WAPDA. The provident fund related disclosure required by the Companies Act, 2017 is not shown in these financial statements as General / Employees' Provident Fund established by WAPDA includes the employees of other power distribution and generation companies and the figures related to the Company cannot be segregated from the whole General / Employees' Provident Fund.

## **2.4 Taxation**

### **Current**

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### **Deferred**

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

## **2.5 Property, plant and equipment**

### **2.5.1 Operating fixed assets and depreciation**

#### **a) Cost**

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except freehold land which is stated at cost less any identified impairment loss and leasehold land which is stated at cost less accumulated depreciation and any identified impairment loss. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the erection / construction period of qualifying assets and directly attributable costs of bringing the assets to working condition for their intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of profit or loss during the period in which they are incurred.

#### **b) Depreciation**

Depreciation on operating fixed assets is calculated applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 13.2. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions up to the month when the asset is de-recognized. Depreciation on operating fixed assets is charged to the statement of profit or loss except for depreciation provided on construction equipment and vehicles during the period of construction of operating fixed assets that is capitalized as part of the cost of operating fixed assets. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

#### **c) De-recognition**

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss in the year the asset is de-recognized.

### **2.5.2 Capital work-in-progress**

Capital work-in-progress is stated at cost less any recognized impairment loss. This includes all costs connected with specific assets (including borrowing cost) incurred during installation and construction period. These are transferred to specific assets as and when these assets are available for intended use.

## **2.6 Stores and spare parts**

Usable stores and spare parts except for items in transit are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items-in-transit are stated at invoice amount plus other charges paid thereon.

## **2.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

## **2.8 Revenue from contracts with customers**

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. These are further elaborated hereunder:

**i) Revenue recognition**

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

**Sale of electricity**

Revenue from the sale of electricity is recognized on supply of electricity to consumers at the rates determined by NEPRA and notified by the Government of Pakistan in official gazette from time to time. Late payment charges are recognized on accrual basis.

**Tariff differential subsidy**

Tariff differential subsidy on electricity announced by the Government of Pakistan for consumers is recognized under revenue on an accrual basis.

**Rental and service income**

Meter rentals are recognized on time proportion basis.

**Rendering of services**

Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate.

**Interest**

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Other revenue**

Other revenue is recognized when it is received or when the right to receive payment is established.

**ii) Contract assets**

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

**iii) Contract liabilities**

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

**iv) Impacts of adoption of IFRS 15 on these financial statements as on 01 July 2018**

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. However, the application of IFRS 15 does not have any impact on the revenue recognition policy of the Company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of accumulated loss in the year of initial application is Rupees Nil.



## 2.9 IFRS 9 'Financial Instruments'

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt instrument shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'Expected Credit Loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measure expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

### i) Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

### ii) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, Fair Value Through Profit or Loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, FVTPL and Fair Value Through Other Comprehensive Income (FVTOCI).

#### a) Classification

From 01 July 2018, the Company classifies its financial assets at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

#### b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments at amortized cost. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

### Financial liabilities

#### Classification and measurement

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities, and therefore no change in the classification and measurement of financial liabilities.

### iii) Impairment of financial assets

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

iv) **De-recognition**

**Financial assets**

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

**Financial liabilities**

The Company de-recognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expired.

v) **Offsetting of financial instruments**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

vi) **Impacts of adoption of IFRS 9 on these financial statements as on 01 July 2018**

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

**Financial assets (01 July 2018)**

	Loans and receivables	Amortized cost
	-----RUPEES-----	
Opening balance (before reclassification)	62,890,499,682	-
Adjustment on adoption of IFRS 9 by reclassifying financial instruments designated as 'Loans and Receivables' to 'Amortized Cost'	(62,890,499,682)	62,890,499,682
Opening balance (after reclassification)	<u>-</u>	<u>62,890,499,682</u>

There was no change in categories of financial liabilities of the Company.

**2.10 Trade receivables**

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses.

The Company has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

Expected credit losses are recognized as follows:

- a) No expected credit loss on Government institutions balances;
- b) Expected credit loss of seventy five percent on permanently disconnected consumers; and
- c) Expected credit loss on arrears from private consumers and deferred arrears at the rates approved.

The percentage rates for creating allowance for expected credit losses on trade debts is as follows:

<b>Permanently disconnected connections</b>	75%
<b>Deferred arrears</b>	75%
<b>Arrears:</b>	
More than 3 months and up to 6 months	5%
More than 6 months and up to 1 year	10%
More than 1 year	100%

**2.11 Deferred credit**

Amounts received from consumers and Government as contributions towards the cost of extension of electricity distribution network and of providing service connections are deferred and amortized over the estimated useful lives of related assets except for separately identifiable services in which case revenue is recognized upfront upon establishing a connection network. Amortization of deferred credit for the year is recognized as income in the statement of profit or loss.

## **2.12 Borrowings**

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

## **2.13 Borrowing cost**

Interest, mark-up and other charges on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are recognized in the statement of profit or loss.

## **2.14 Loans, advances, deposits and receivables**

These are recognized at cost less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end.

## **2.15 Share capital**

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

## **2.16 Trade and other payables**

Trade and other payables are initially recognized at fair value plus directly attributable costs. These are subsequently measured at amortized cost.

## **2.17 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

## **2.18 Provisions**

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimate of the amount can be made. However provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

## **2.19 Earnings / (loss) per share**

The Company presents basic and diluted earnings / (loss) per share data for its ordinary shares. Basic earnings / (loss) per share is calculated by dividing the profit attributable to ordinary shareholders or loss for the year of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings / (loss) per share is determined by adjusting the profit attributable to ordinary shareholders or loss for the year and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

## **2.20 Contingent assets**

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

## **2.21 Contingent liabilities**

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

## **2.22 Intangible asset**

Intangible asset represents the cost of computer software and is stated at cost less accumulated amortization and any identified impairment loss. Intangible asset is amortized from the month, when the assets becomes available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each reporting date.

### 3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2019 NUMBER OF SHARES	2018 NUMBER OF SHARES		2019 RUPEES	2018 RUPEES
1 000	1 000	Ordinary shares of Rupees 10 each fully paid in cash to Government of Pakistan (GoP) and its nominee directors	10,000	10,000
1 082 362 604	1 082 362 604	Ordinary shares of Rupees 10 each fully paid issued for consideration other than in cash to WAPDA	10,823,626,048	10,823,626,048
<u>1 082 363 604</u>	<u>1 082 363 604</u>		<u>10,823,636,048</u>	<u>10,823,636,048</u>

### 4. DEPOSIT FOR SHARES

This represents credit of Rupees 31,337,632,169 (2018: Rupees 30,590,260,624) received by the Company in financial year 2014 from Central Power Purchase Agency (Guarantee) Limited (CPPA) in pursuance of letter No. F.1(5)-CF-1/2012-13/1017 dated 02 July 2013 from Ministry of Finance as GoP investment against circular debt of Rupees 341 billion. Hence this was treated as GoP equity investment in the Company. During the year on advice from CPPA, the Company booked the mark-up paid by the GoP in its books of account as financial charges and inserted it as equity amounting to Rupees 747,371,545.

### 5. LONG TERM FINANCING

#### Loans from related party

##### Secured

From GoP - (foreign re-lent) :

	2019 RUPEES	2018 RUPEES
International Bank for Reconstruction and Development (Note 5.1)	3,849,036,226	3,849,036,226
Asian Development Bank - Tranche I (Note 5.2)	1,354,866,393	1,354,866,393
Asian Development Bank - Tranche II (Note 5.3)	2,168,842,944	2,152,657,090
Asian Development Bank - Tranche III (Note 5.4)	3,118,563,244	2,926,079,291
Asian Development Bank - Tranche IV (Note 5.5)	2,772,764,983	2,426,953,449
	<u>13,264,073,790</u>	<u>12,709,592,449</u>

##### Unsecured

Cash Development Loan from GoP (Note 5.6)	797,050,000	797,050,000
	<u>14,061,123,790</u>	<u>13,506,642,449</u>
Other loans (Note 5.7, 5.8, 5.9, 5.10 and 5.11)	126,472,360	200,630,720
	<u>14,187,596,150</u>	<u>13,707,273,169</u>

Less:

Current portion shown under current liabilities	951,588,840	872,992,001
Overdue portion shown under current liabilities	4,424,580,345	3,599,653,280
	<u>5,376,169,185</u>	<u>4,472,645,281</u>
	<u>8,811,426,965</u>	<u>9,234,627,888</u>

**5.1** This represents re-lent portion of loan obtained by the GoP from International Bank for Reconstruction and Development (IBRD) for electricity distribution and transmission improvement project which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% per annum which comprises of re-lending interest of 11% per annum and exchange risk cover of 6% per annum payable on half yearly basis. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from September 2011. The overdue amount of principal and mark-up aggregate to Rupees 2,246.061 million (2018: Rupees 1,925.466 million) and Rupees 3,235.741 million (2018: Rupees 2,951.499 million) respectively.

**5.2** This represents re-lent portion of loan obtained by GoP from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% inclusive of relending interest of 11% per annum plus exchange risk cover fee of 6% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from February 2011. The overdue amount of principal and mark-up aggregate to Rupees 1,017.785 million (2018: Rupees 889.180 million) and Rupees 762.849 million (2018: Rupees 631.819 million) respectively.

- 5.3 This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees 16.186 million (2018: Rupees 30.495 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 17 years excluding grace period of 3 years starting from June 2014. The overdue amount of principal and mark-up aggregate to Rupees 657.980 million (2018: Rupees 527.032 million) and Rupees 1,348.291 million (2018: Rupees 1,119.731 million) respectively.
- 5.4 This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees 192.484 million (2018: Rupees 421.003 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 25 years including grace period of 5 years starting from June 2018. The overdue amount of principal and mark-up aggregate to Rupees 227.578 million (2018: Rupees 72.529 million) and Rupees 977.095 million (2018: Rupees 572.174 million) respectively.
- 5.5 This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees 345.812 million (2018: 569.508 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal will be started from June 2019 and will be repaid on half yearly basis within maximum period of 25 years including grace period of 5 years. The overdue amount of principal and mark-up aggregate to Rupees 69.319 million (2018: Rupees Nil) and Rupees 635.419 million (2018: Rupees Nil) respectively.
- 5.6 This represents a loan obtained from the GoP under "Prime Minister's Southern Punjab Development Package" for construction of new grid stations and laying transmission lines. The limit of the loan facility is Rupees 1,228 million. As per instructions of the Finance Division of GoP for loan disbursements, the interest shall be chargeable at a prevailing rate of interest for respective year, which has been assessed as 17% per annum by the Company. Repayment of principal has to be made on yearly basis within maximum period of 20 years including grace period of 5 years starting from June 2015. The overdue amount of principal and mark-up aggregate to Rupees 199.263 million (2018: Rupees 159.410 million) and Rupees 762.184 million (2018: Rupees 660.560 million) respectively.
- 5.7 These include Rupees 13.889 million (2018: Rupees 61.11 million) interest free loan from RYK Mills Limited under an agreement to meet expenses for grid interconnection. The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is 21 March 2015. The overdue amount of principal aggregates to Rupees 2.778 million (2018: Rupees 16.667 million).
- 5.8 These included Rupees Nil (2018: Rupees 9.47 million) interest free loan from JDW Sugar Mills Limited under an agreement to meet expenses for grid interconnection. This loan has been completely repaid during the year.
- 5.9 These include two interest free loans of Rupees 11.57 million (2018: Rupees 24.59 million) and Rupees 15.56 million (2018: Rupees 20 million) from Hamza Sugar Mills Limited under an agreement to meet expenses for grid interconnection. Loan No. 1 is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is 01 March 2016. The overdue amount of principal aggregate to Rupees 0.723 million (2018: Rupees 5.063 million). Loan No. 2 is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is 10 March 2017. The overdue amount of principal aggregates to Rupees 0.555 million (2018: Rupees Nil).
- 5.10 These include Rupees 55 million (2018: Rupees 55 million) interest free loan from The Thal Industries Corporation Limited under an agreement to meet expenses for grid interconnection. The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which has not yet been assessed.
- 5.11 These include Rupees 30.455 million (2018: Rupees 30.455 million) interest free loan from Harappa Solar (Private) Limited under an agreement to meet expenses for grid interconnection. The loan is repayable in 36 equal monthly installments commencing after 17 months of commercial operation date which is 14 October 2017. The overdue amount of principal aggregates to Rupees 2.538 million (2018: Rupees Nil).
- 5.12 The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of the loans given in Notes 5.7, Note 5.9 to Note 5.11 is not considered material and hence not recognized.

	2019 RUPEES	2018 RUPEES
<b>6. STAFF RETIREMENT BENEFITS</b>		
Free medical benefits (Note 6.1)	6,690,277,642	4,493,494,423
Pension (Note 6.1)	65,322,228,339	60,148,562,987
Free electricity benefits (Note 6.1)	3,356,447,248	2,573,361,784
Compensated absences (Note 6.1)	3,806,464,334	3,178,735,078
	<u>79,175,417,563</u>	<u>70,394,154,272</u>

6.1 Movement in the net liabilities recognized in the statement of financial position is as follows:

	30 June 2019				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2018	4,493,494,423	60,148,562,987	2,573,361,784	3,178,735,078	70,394,154,272
Charge for the year (Note 6.2)	631,702,722	6,795,636,026	330,036,560	921,471,585	8,678,846,893
Remeasurement recognized in other comprehensive income (Note 6.3)	1,580,306,908	2,478,153,017	534,073,279	-	4,592,533,204
Benefits paid	(15,226,411)	(3,939,898,971)	(81,024,375)	(293,742,329)	(4,329,892,086)
Contribution made	-	(160,224,720)	-	-	(160,224,720)
Balance as at 30 June 2019	<u>6,690,277,642</u>	<u>65,322,228,339</u>	<u>3,356,447,248</u>	<u>3,806,464,334</u>	<u>79,175,417,563</u>

	30 June 2018				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2017	3,364,973,045	47,278,337,451	3,364,975,998	2,584,785,883	56,593,072,377
Charge for the year (Note 6.2)	404,524,927	4,964,920,540	362,005,235	818,968,052	6,550,418,754
Remeasurement recognized in other comprehensive income (Note 6.3)	736,048,374	11,248,270,437	(1,066,291,961)	-	10,918,026,850
Benefits paid	(12,051,923)	(2,886,891,608)	(87,327,488)	(225,018,857)	(3,211,289,876)
Contribution made	-	(456,073,833)	-	-	(456,073,833)
Balance as at 30 June 2018	<u>4,493,494,423</u>	<u>60,148,562,987</u>	<u>2,573,361,784</u>	<u>3,178,735,078</u>	<u>70,394,154,272</u>

6.1.1 The amount of pension obligation recognized in the statement of financial position is as follows:

	2019 RUPEES	2018 RUPEES
Present value of defined benefit obligations	66,802,556,973	61,362,143,336
Fair value of plan assets	(1,480,328,633)	(1,213,580,349)
	<u>65,322,228,340</u>	<u>60,148,562,987</u>

6.2 Amounts recognized in the statement of profit or loss against defined benefit schemes are:

	30 June 2019				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	183,114,600	977,774,676	76,751,600	54,123,805	1,291,764,681
Interest cost	448,588,122	5,817,861,350	253,284,960	303,186,391	6,822,920,823
Actuarial losses	-	-	-	564,161,389	564,161,389
Net charge for the year	<u>631,702,722</u>	<u>6,795,636,026</u>	<u>330,036,560</u>	<u>921,471,585</u>	<u>8,678,846,893</u>

	30 June 2018				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	93,822,322	746,286,478	54,783,852	47,957,060	942,849,712
Interest cost	310,702,605	4,218,634,062	307,221,383	228,685,572	5,065,243,622
Actuarial losses	-	-	-	542,325,420	542,325,420
Net charge for the year	<u>404,524,927</u>	<u>4,964,920,540</u>	<u>362,005,235</u>	<u>818,968,052</u>	<u>6,550,418,754</u>

6.3 Remeasurement recognized in other comprehensive income:

	30 June 2019				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Loss on obligation	1,580,306,908	2,463,318,547	534,073,279	-	4,577,698,734
Loss on plan assets	-	14,834,470	-	-	14,834,470
Experience adjustments	<u>1,580,306,908</u>	<u>2,478,153,017</u>	<u>534,073,279</u>	<u>-</u>	<u>4,592,533,204</u>

	30 June 2018				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Loss on obligation	736,048,374	11,797,004,477	-	-	12,533,052,851
(Gain) on obligation	-	-	(1,066,291,961)	-	(1,066,291,961)
(Gain) on plan assets	-	(548,734,040)	-	-	(548,734,040)
Experience adjustments	736,048,374	11,248,270,437	(1,066,291,961)	-	10,918,026,850

#### 6.4 Movement in present value of defined benefit obligations:

	30 June 2019				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2018	4,493,494,423	60,148,562,987	2,573,361,784	3,178,735,078	70,394,154,272
Current service cost	183,114,600	977,774,676	76,751,600	54,123,805	1,291,764,681
Interest cost	448,588,122	5,817,861,350	253,284,960	303,186,391	6,822,920,823
Benefits paid	(15,226,411)	(3,939,898,971)	(81,024,375)	(293,742,329)	(4,329,892,086)
Remeasurements	1,580,306,908	2,478,153,017	534,073,279	-	4,592,533,204
Actuarial losses	-	-	-	564,161,389	564,161,389
Contribution made	-	(160,224,720)	-	-	(160,224,720)
Balance as at 30 June 2019	6,690,277,642	65,322,228,339	3,356,447,248	3,806,464,334	79,175,417,563

	30 June 2018				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2017	3,364,973,045	47,278,337,451	3,364,975,998	2,584,785,883	56,593,072,377
Current service cost	93,822,322	746,286,478	54,783,852	47,957,060	942,849,712
Interest cost	310,702,605	4,218,634,062	307,221,383	228,685,572	5,065,243,622
Benefits paid	(12,051,923)	(2,886,891,608)	(87,327,488)	(225,018,857)	(3,211,289,876)
Remeasurement	736,048,374	11,248,270,437	(1,066,291,961)	-	10,918,026,850
Actuarial losses	-	-	-	542,325,420	542,325,420
Contribution made	-	(456,073,833)	-	-	(456,073,833)
Balance as at 30 June 2018	4,493,494,423	60,148,562,987	2,573,361,784	3,178,735,078	70,394,154,272

6.5 All of the investment of plan assets is in deposit account of a commercial bank.

#### 6.6 Principal actuarial assumptions :

	30 June 2019			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate (per annum)	14.50%	14.50%	14.50%	14.25%
Inflation rate (per annum)	-	-	12.50%	-
Annual medical claim - Rupees	13,153	-	-	-
Salary increase rate used for year end obligation (per annum)	-	14.00%	-	-
Medical / pension / electricity indexation rate	14.50%	8.25%	0.1225	-
Medical exposure rate (per annum)	14.50%	-	-	-
Mortality rates	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 and 4 years	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year
Withdrawal rates	Low	Low	Low	Low
Expected charge to the statement of profit or loss for the next financial year (Rupees)	1,179,756,475	10,591,275,113	574,565,433	613,909,085

	30 June 2018			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate (per annum)	10.00%	10.00%	10.00%	10.00%
Inflation rate (per annum)	-	-	8.00%	-
Annual medical claim - Rupees	11,957	-	-	-
Salary increase rate used for year end obligation (per annum)	-	9.50%	-	9.50%
Medical / pension indexation rate	10.00%	3.75%	-	-
Medical exposure rate (per annum)	10.00%	-	-	-
Mortality rates	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year
Withdrawal rates	Low	Low	Low	Low
Expected charge to the statement of profit or loss for the next financial year (Rupees)	570,707,523	7,028,086,935	303,290,471	371,997,313

## 6.7 Sensitivity analysis for actuarial assumptions:

The sensitivity of the staff retirement benefits to changes in the weighted principal assumption is:

	30 June 2019			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(1,103,055,655)	(4,617,905,548)	(464,046,472)	(373,200,523)
Decrease in assumption (Rupees)	1,332,236,830	12,644,723,197	592,173,681	440,418,710
Medical exposure rate	1.00%	-	-	-
Increase in assumption (Rupees)	481,699,991	-	-	-
Decrease in assumption (Rupees)	(414,797,213)	-	-	-
Medical inflation rate	1.00%	-	-	-
Increase in assumption (Rupees)	1,357,364,759	-	-	-
Decrease in assumption (Rupees)	(1,138,311,151)	-	-	-
Withdrawal rates	10.00%	10.00%	10.00%	10.00%
Increase in assumption (Rupees)	(9,366,388)	1,446,927,355	(2,013,868)	3,806,464
Decrease in assumption (Rupees)	11,373,472	1,513,729,911	2,013,868	(3,806,464)
Future salary increase	-	1.00%	-	1.00%
Increase in assumption (Rupees)	-	4,630,146,172	-	440,371,816
Decrease in assumption (Rupees)	-	(1,296,163,505)	-	(379,478,634)
Indexation rate	-	1.00%	-	-
Increase in assumption (Rupees)	-	9,362,154,945	643,430,937	-
Decrease in assumption (Rupees)	-	(2,051,255,932)	(503,467,087)	-
Mortality setback	1 year	1 year	1 year	1 year
Increase in assumption (Rupees)	(250,885,411)	4,183,547,201	-	(2,550,331)
Decrease in assumption (Rupees)	252,892,495	2,057,896,898	-	2,550,331

	30 June 2018			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(739,090,744)	(5,668,370,813)	(374,283,853)	(341,561,744)
Decrease in assumption (Rupees)	972,502,717	9,688,952,358	481,469,645	180,190,687
Medical exposure rate	1.00%	-	-	-
Increase in assumption (Rupees)	326,851,488	-	-	-
Decrease in assumption (Rupees)	(280,835,058)	-	-	-
Medical inflation rate	1.00%	-	-	-
Increase in assumption (Rupees)	604,680,454	-	-	-
Decrease in assumption (Rupees)	(507,244,392)	-	-	-
Withdrawal rates	10.00%	10.00%	10.00%	10.00%
Increase in assumption (Rupees)	(6,951,780)	1,180,196,379	(1,498,864)	(96,969,622)
Decrease in assumption (Rupees)	6,998,645	1,247,158,799	1,507,606	(103,049,615)
Future salary increase	-	1.00%	-	1.00%
Increase in assumption (Rupees)	-	4,275,993,190	-	194,120,900
Decrease in assumption (Rupees)	-	(1,480,456,239)	-	(357,633,479)
Indexation rate	-	1.00%	1.00%	-
Increase in assumption (Rupees)	-	6,848,759,303	494,214,373	-
Decrease in assumption (Rupees)	-	(3,619,335,420)	(388,529,766)	-
Mortality setback	1 year	1 year	-	1 year
Increase in assumption (Rupees)	(173,935,929)	1,349,030,787	-	(101,885,477)
Decrease in assumption (Rupees)	174,016,715	1,083,070,311	-	(98,122,586)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the staff retirement benefits to significant actuarial assumptions, the same method (present value of the staff retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis were changed as compared to the previous year due to upward trend in discount rate structure and increase in inflationary expectations.



6.8 Historical information:

	2019 RUPEES	2018 RUPEES	2017 RUPEES	2016 RUPEES	2015 RUPEES
<b>Present value of defined benefit obligations of:</b>					
Free medical benefits	6,690,277,642	4,493,494,423	3,364,973,045	2,590,161,447	1,883,031,024
Pension	65,322,228,339	60,148,562,987	47,278,337,451	35,519,209,613	24,608,307,733
Free electricity benefits	3,356,447,248	2,573,361,784	3,364,975,998	2,850,264,762	1,906,856,545
Compensated absences	3,806,464,334	3,178,735,078	2,584,785,883	2,050,896,152	1,482,550,166
<b>Remeasurement loss / (gain) on obligations of:</b>					
Free medical benefits	1,580,306,908	736,048,374	463,636,398	443,132,973	58,179,514
Pension	2,478,153,017	11,248,270,437	10,740,884,240	6,834,840,531	1,148,182,436
Free electricity benefits	534,073,279	(1,066,291,961)	261,897,020	765,945,452	(85,664,673)
Compensated absences	564,161,389	542,325,420	485,454,988	541,022,360	39,383,961

6.9 Risks associated with staff retirement benefits

**Longevity risk**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

**Salary increase risk**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

**Withdrawal risk**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

7. LONG TERM SECURITY DEPOSITS

These represent security deposits received from consumers on account of electricity connections. These are refundable / adjustable on disconnection of electricity supply.

	2019 RUPEES	2018 RUPEES
<b>8. RECEIPT AGAINST DEPOSIT WORKS</b>		
Consumers demand notices awaiting connections (Note 8.1)	4,823,951,134	3,137,958,562
Funds received against deposit works (Note 8.2)	15,899,024,883	17,310,976,416
	<u>20,722,976,017</u>	<u>20,448,934,978</u>

8.1 These represent amounts received from consumers through demand notices against which the related works / jobs have not been completed.

8.2 These represent amounts received directly by the Company for electrification of villages, colonies and other deposit works, mainly provided through Government funding against which the related works / jobs have not been completed.

	2019 RUPEES	2018 RUPEES Restated
<b>9. DEFERRED CREDIT</b>		
Balance as at 01 July	74,209,857,963	67,987,228,115
Addition during the year	7,733,237,096	6,222,629,848
	<u>81,943,095,059</u>	<u>74,209,857,963</u>
Less: Amortization		
Balance as at 01 July	21,989,690,376	19,499,525,221
Amortization for the year	2,758,528,394	2,490,165,155
	<u>24,748,218,770</u>	<u>21,989,690,376</u>
Balance as at 30 June	<u>57,194,876,289</u>	<u>52,220,167,587</u>

9.1 This represents the capital contributions received from consumers, Government and USAID against which assets are constructed by the Company.

	2019 RUPEES	2018 RUPEES
<b>10. TRADE AND OTHER PAYABLES</b>		
Creditors	3,203,238,163	3,203,495,842
Equalization surcharge payable	2,235,784,140	2,235,374,934
Due to associated companies (Note 10.1)	107,784,414,901	101,790,108,312
Accrued liabilities	1,026,265,209	1,174,052,095
Retention money payable	855,663,073	563,767,237
Electricity duty payable	360,849,896	345,118,648
Neelum Jhelum surcharge payable	169,431,383	316,427,013
T.V. license fees payable	138,752,150	134,570,821
Financing cost surcharge	1,296,471,778	1,417,987,078
Tariff rationalization surcharge	1,762,846,490	1,525,061,095
Compact Fluorescent Lamps cost payable (Note 10.2)	807,373,696	807,373,696
Workers' profit participation fund (Note 10.3)	1,692,118,856	1,692,118,856
Other liabilities	973,435,976	840,585,609
	<u>122,306,645,711</u>	<u>116,046,041,236</u>

**10.1 Due to associated companies**

Central Power Purchasing Agency (Guarantee) Limited (CPPA)	104,090,970,184	101,718,687,727
Hyderabad Electric Supply Company Limited (HESCO)	925,667	507,081
Gujranwala Electric Power Company Limited (GEPSCO)	17,910,967	20,527,141
Faisalabad Electric Supply Company Limited (FESCO)	61,595,780	50,386,363
National Transmission and Despatch Company Limited (NTDC)	3,604,849,050	-
Sukkur Electric Power Company Limited (SEPCO)	8,163,253	-
	<u>107,784,414,901</u>	<u>101,790,108,312</u>

**10.2** During financial year 2013-14, the Company had received Compact Fluorescent Lamps (CFLs) from Pakistan Electric Power Company (PEPCO) under the Clean Development Mechanism (CDM) Program of activities - "National CFL Project - Pakistan". CFLs cost will have to be borne by the Company from its distribution margin.

**10.3** The Company has not made payment of its contribution towards Workers' Profit Participation Fund (WPPF), being the Company's liability on account of provision of Companies Profit (Workers' Participation) Act, 1968 uptill 30 June 2015. This matter is pending for decision with Economic Coordination Committee (ECC) upon recommendation submitted by WAPDA to exempt the undertakings established under the umbrella of WAPDA from compliance with the requirements of Companies Profit (Workers' Participation) Act, 1968. Due to pending decision with the ECC, no provision for mark-up is made as required under Companies Profit (Workers' Participation) Act, 1968. However, the Company has shown the mark-up as contingent liability under Note 12.1.2 to the financial statements.

**11. ACCRUED MARK-UP**

Foreign re-lent loans Note (11.1)	1,503,078,535	1,159,892,650
Cash development loan	80,597,696	101,623,875
Overdue mark-up on foreign re-lent and cash development loans	7,721,578,614	5,935,784,352
	<u>9,305,254,845</u>	<u>7,197,300,877</u>

**11.1** These include accrued mark-up amounting to Rupees 626.688 million which were previously shown as deferred mark-up.

**12. CONTINGENCIES AND COMMITMENTS**

**12.1 Contingencies**

**12.1.1** The Company has received various invoices from CPPA representing late payment charges (supplementary charges) being the share of the Company in the mark-up charged to CPPA by Independent Power Producers (IPPs) on account of delayed payments aggregating to Rupees 17,058.28 million (2018: Rupees 14,089.28 million).

As mentioned in Para 18 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-283/MEPCO-2014/4264-4266 dated 27 March 2015 and Para 8.10 and 20 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-332/MEPCO-2015/2697-2699 dated 29 February 2016, it was mutually agreed by the representatives of CPPA and distribution companies that, as per clause 9.3(d) of electricity supply agreement dated 29 June 1998 between DISCOs and NTDC, the DISCOs are obliged to pay late payment charges (supplementary charges) to CPPA on account of delay payments of invoices.

NEPRA has decided that the late payment charges (supplementary charges) recovered from consumers on utility bills shall be offset against the late payment charges (supplementary charges) invoices raised by CPPA and CPPA cannot account for late payment charges (supplementary charges) over and above what is calculated as per agreement. Therefore, no provision for late payment charges (supplementary charges) of Rupees 13,244.70 million have been recognized in these financial statements as the management is of the view that supplementary charges have not been allowed as expense by NEPRA in tariff determination.

**12.1.2** The Companies Profit (Workers' Participation) Act, 1968 requires payment of the allocated amount to the workers profit participation fund within nine months of the close of relevant financial year. However, due to pending decision of the Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA from requirements of the said Act, no provision for interest aggregating to Rupees 1,531.48 million (2018: Rupees 1,117.12 million) on unpaid amount has been recognized by the Company in these financial statements.

**12.1.3** In addition to above-mentioned matters, large number of small cases have been filed against the Company, primarily by the Company's employees, customers and vendors, the quantum of which cannot be estimated reliably. However, the management is of the view that in the overall context of these financial statements, there would be no significant liability of the Company against such cases.

#### **12.1.4 Income Tax**

- (i) Additional Commissioner Inland Revenue amended the deemed assessments under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) by passing an order under section 122(5A) of the Ordinance on the grounds that the minimum tax liability under section 113 was not discharged. He passed the orders vide DCR No. 10/07 dated 02 February 2015 and 19/18 dated 14 April 2015 for tax years 2010 and 2013 and created a demand of Rupees 5.63 million for the Tax Year 2010 and Rupees 109.82 million for the Tax Year 2013. Being aggrieved from the impugned orders, the Company filed appeals before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 05 May 2015 and the same was upheld by the Learned CIR(A). Appeal against the orders of CIR(A) has been filed with the Appellate Tribunal Inland Revenue on 19 October 2015 which is pending for adjudication.
- (ii) Inland Revenue Audit Officer passed an order no. DCR 01/54 dated 12 November 2007 for the tax year 2007 under section 161 and 205 of the Ordinance creating a demand amounting to Rupees 10.22 million on grounds that withholding tax was not timely deducted by the Company on payments to certain parties. Being aggrieved an appeal was filed with Commissioner Inland Revenue (Appeals) (CIR(A)) and same was upheld by the Learned CIR (A). Against the orders of Learned CIR(A), second appeal was filed before Appellate Tribunal Inland Revenue. The matter is pending for adjudication.
- (iii) Additional Commissioner Inland Revenue (ACIR) passed the orders vide 92/10 dated 26 February 2009 under section 113 of the Ordinance and charged income tax on turnover for the tax year 2007 amounting to Rupees 153 million and for the tax year 2008 amounting to Rupees 72 million along with default surcharge of Rupees 9.9 million and Rupees 2 million respectively. Being aggrieved from the impugned orders, the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) and the same was upheld by the Learned CIR(A). Subsequently appeal against the orders of CIR(A) was filed with the Appellate Tribunal Inland Revenue (ATIR) on 14 May 2009 who upheld the orders of CIR (A). Being aggrieved with both forums writ petition is filed before Honorable Lahore High Court, Lahore vide petition no. PTR 43/2011 and PTR 44/2011. The Honorable Lahore High Court, Lahore remanded back the case to the full bench of ATIR, which is pending for adjudication.
- (iv) Additional Commissioner Inland Revenue amended the deemed assessment under section 122(5A) of the Ordinance for the tax year 2014 vide bar code no.100000008089093 dated 12 November 2015 on ground that the minimum tax liability under section 113 was not discharged and thereby raised a demand of Rupees 1,736 million. Being aggrieved an appeal was filed with Commissioner Inland Revenue (Appeals) on 03 December 2015 who upheld the said order and subsequently another appeal has been filed with Appellate Tribunal Inland Revenue on 05 April 2016, which is pending for adjudication.
- (v) The Inland Revenue Audit Officer (IRAO) made an assessment under sections 124, 162(1) and 205 of the Ordinance vide no. 10/62 dated 24 June 2015 for Tax Year 2010, 2011 and 2012 wherein he raised demand amounting to Rupees 52.906 million treating service fee for the collection of Pakistan Television (PTV) license fees as commission rather than as service fee. In this regard, an appeal has been filed before the Learned Commissioner Inland Revenue (Appeals) (CIR(A)) on 11 August 2015 which is decided in favor of the Company vide orders dated 29 March 2016 and case was remanded back to the concerned IRAO / Assistant Commissioner Inland Revenue (ACIR) with direction to recalculate the service fee according to the agreement between WAPDA and PTV. Against the order of CIR(A), Regional Tax Office, Multan has filed appeal before Appellate Tribunal Inland Revenue. The said appeal is pending for adjudication.
- (vi) Additional Commissioner Inland Revenue passed the order for tax year 2015 that the Company was liable to pay Rupees 893 million being higher of minimum tax under section 113 and 113 (C) of the Ordinance. The assessment already finalized under section 120(1) of the Ordinance, therefore, being erroneous in so far as prejudicial to the interest of revenue, is amended under section 122 of the Ordinance. Being aggrieved from the impugned order, the Company filed appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) and same was upheld by the learned CIR(A). Appeals against the orders of CIR(A) has been filed with the Appellate Tribunal Inland Revenue on 17 January 2017, which are pending for adjudication.

- (vii) Assistant Commissioner Inland Revenue passed the order under section 122(1) of the Ordinance vide 14/39 dated 22 June 2017 for the tax year 2011 that the Company was liable to pay Rupees 226 million due to violation of certain provisions of Ordinance. Being aggrieved from the impugned order, the Company filed appeal before the Commissioner Inland Revenue (Appeals) on 07 July 2017 which is pending for adjudication.
- (viii) Assistant Commissioner Inland Revenue started proceedings for amendment of assessment under section 122 of the Ordinance on 17 January 2018. By ignoring all submissions, the ACIR issued an order vide bar code no. 10000032291023 dated 13 April 2018 raising a demand of Rupees 1,294 million. Being aggrieved, the Company filed appeal before Commissioner Inland Revenue (Appeals) (CIR (A)) on 11 May 2018. The matter is pending for adjudication before CIR (A).
- (ix) Assistant Commissioner Inland Revenue issued an order vide bar code no. 10000026203200 dated 09 November 2017 under section 161 of the Ordinance and raised a demand of Rupees 191 million along with default surcharge of Rupees 13 million on the grounds that the Company failed to deduct income tax while making payment to certain parties. Being aggrieved with the orders the Company has filed an appeal before Commissioner Inland Revenue (Appeals) on 13 December 2017, the proceeding of which is pending.
- (x) The Inland Revenue Audit Officer (IRA0) started proceedings under sections 161 and 205 of the Ordinance regarding discharging of liability to deduct income tax on different heads of account. By ignoring all submissions the Learned IRA0 issued an order vide no. 10/47 dated 21 October 2013 and raised a demand of Rupees 718 million along with default surcharge of Rupees 161 million. Being aggrieved, the Company filed appeal before Commissioner Inland Revenue (Appeals) (CIR (A)) on 19 November 2013. The Learned CIR (A) issued an order dated 24 February 2014 and confirmed the demand of Rupees 379 million. A second appeal was filed before Appellate Tribunal Inland Revenue on 11 June 2014 who upheld the orders of CIR (A). Being aggrieved with both forums a writ petition vide tax reference no. 27 of 2014 was filed before Honorable Lahore High Court, Lahore who decided the case on 02 July 2016 in favor of the Company and deleted the demand of Rupees 301 million. To give effect to the judgment to decision of Honorable Lahore High Court, Lahore the Assistant Commissioner Inland Revenue issued appeal effect order and raised a demand of Rupees 78 million along with default surcharge of Rupees 66 million. Being aggrieved, further appeal was filed before CIR (A) on 15 December 2017 which is pending for adjudication.
- (xi) Assistant Commissioner Inland Revenue issued an order under section 161 of the Ordinance vide bar code no. 10000028613889 dated 04 January 2018 on the grounds that income tax was not deducted by the Company while making payment to certain parties during the tax years 2012 to 2015 and raised a demand of default surcharge of Rupees 277 million. Being aggrieved by the orders, an appeal was filed before Commissioner Inland Revenue (Appeals) (CIR (A)) on 01 February 2018. The Learned CIR (A) decided the case vide orders dated 24 April 2018 in favor of the Company by accepting the two contentions out of four. A second appeal was filed before Appellate Tribunal Inland Revenue for two contentions rejected by the Learned CIR (A), the proceedings of which are pending.
- (xii) Assistant Commissioner Inland Revenue (ACIR) started proceedings through show cause notice no. 826798-1 date 17 May 2018 under section 161 regarding advance tax collection of the differential amount of sales tax for tax year 2011. Subsequently, ACIR issued order no. 2/30 date 28 August 2018 and raised demand of income tax amounting to Rupees 307 million and default surcharge amounting to Rupees 363.668 million. Being aggrieved by the order, an appeal was filed before Commissioner Inland Revenue (Appeals) (CIR (A)) on 25 September 2018 which is pending for adjudication.
- (xiii) Assistant Commissioner Inland Revenue (ACIR) initiated proceedings through show cause notice vide document no. 100000033710411 dated 13 June 2018 under section 161 regarding advance tax collection of the differential amount of sales tax for tax year 2017. Subsequently, ACIR issued order no. 1/30 dated 27 August 2018 and raised demand of income tax amounting to Rupees 293 million and default surcharge amounting to Rupees 40.687 million. Being aggrieved by the order, an appeal was filed before Commissioner Inland Revenue (Appeals) (CIR (A)) on 26 August 2018 and same was upheld by the learned CIR(A). A second appeal was filed before Appellate Tribunal Inland Revenue which is pending for adjudication.
- (xiv) Assistant Commissioner Inland Revenue initiated proceedings through notice bearing bar code no. 100000034664302 dated 02 July 2018 under section 161 questioning the compliance of income tax withholding on payment to CPPA on account to use of system charges during tax year 2017. By disregarding the reply submitted, ACIR issued order no. 4/30 dated 09 September 2018 and raised demand of income tax amounting to Rupees 293 million and default surcharge amounting to Rupees 42.7 million. Being aggrieved by the order, an appeal was filed before learned Commissioner Inland Revenue (Appeals) (CIR (A)) on 26 August 2018 and same was upheld by the learned CIR(A). A second appeal was filed before Appellate Tribunal Inland Revenue and the proceedings are still pending.

Aggregate provision of Rupees 6,222.53 million regarding the cases stated in paragraph numbers 12.1.4(i) to 12.1.4(xiv) has not been accounted for in the books of account of the Company as in the opinion of tax advisor, the favorable outcome of these cases is expected.

## Sales Tax:

- (xv) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 19 November 2012 by treating the "Subsidy" aggregating to Rupees 24,739.75 million during the period from July 2010 to June 2011 as taxable supplies under the Sales Tax Act, 1990 (the Act) and also taxed unexplained differences amounting to Rupees 925.29 million and raised a demand of Rupees 4,363.05 million. Being aggrieved by the order, the Company filed an appeal before the Commissioner Inland Revenue (Appeals) who upheld the order of DCIR, afterwards second appeal was filed before the Appellate Tribunal Inland Revenue (ATIR) and vide its order number STA 247/LB/2013 dated 19 December 2014 the point of unexplained income was remanded back to DCIR and matter of subsidy was upheld against which the Company filed a writ petition before Honorable Lahore High Court, Lahore on 25 May 2018 who remanded back the case to the full bench of ATIR to decide the case which is still pending for adjudication.
- (xvi) The Deputy Commissioner Inland Revenue (DCIR) passed the order vide no. 21/2016 dated 02 May 2016 thereby alleging that the Company has paid less amount of sales tax withheld of Rupees 691.82 million for tax periods July 2014, August 2014, January 2015 and April 2015 in violation of sections 3(1)(A) of the Act. Against the said order of DCIR, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) who upheld the orders of DCIR. Afterwards, second appeal was filed before the Appellate Tribunal Inland Revenue who remanded back the case to DCIR vide order dated 18 April 2018. Later Assistant Commissioner Inland Revenue issued an order on 05 May 2019 by ignoring the contentions and submissions of the Company. Being aggrieved by the order, an appeal has been filled with CIR (A) which is pending for adjudication.
- (xvii) The Deputy Commissioner Inland Revenue (DCIR) has passed the order vide no. 20/2016 dated 02 May 2016 alleging that the Company has not charged and paid sales tax on supplies to retailers amounting Rupees 22.27 million during the tax periods of July 2014 and August 2014 and has directed the Company to deposit the same along with default surcharge and penalty of Rupees 1.11 million. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) who upheld the orders of DCIR on 27 March 2016. Being aggrieved, the Company has filed an appeal before Appellate Tribunal Inland Revenue who remanded back the case to DCIR vide order dated 18 April 2018. Later Assistant Commissioner Inland Revenue issued an order on 30 April 2019 by ignoring the the contentions and submissions of the Company. Being aggrieved by the order, appeal has been filled before CIR (A), which is pending for adjudication.
- (xviii) The Deputy Commissioner Inland Revenue (DCIR) has passed the order vide no. 09/2016 dated 15 April 2016 alleging that the Company has not charged and paid sales tax amounting to Rupees 23 million from retailers during the month of October 2015 and has directed it to deposit the same along with default surcharge and penalty of Rupees 1.160 million. Against the orders of DCIR an appeal has been filed before the Commissioner Inland Revenue (Appeals) (CIR(A)) and CIR(A) has confirmed the orders of DCIR. Being aggrieved, the Company has filed an appeal before Appellate Tribunal Inland Revenue on 02 June 2018 which is pending for adjudication.
- (xix) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 31 March 2014 on the grounds that the Company has less paid further tax amounting to Rupees 36.8 million and extra tax of Rupees 23.5 million for the tax period from July 2013 to October 2013. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) who upheld the order of DCIR vide order dated 02 May 2015. Afterwards, a second appeal was filed before Appellate Tribunal Inland Revenue on 06 June 2015 for which decision is awaited.
- (xx) The Deputy Commissioner Inland Revenue (DCIR) has passed an order vide no. 19/2016 dated 05 February 2016 on the grounds that the Company has supplied electricity to unregistered persons during the period from July 2014 to June 2015 without payment of sales tax amounting to Rupees 476 million, leviable thereon. Being aggrieved the Company has filed an appeal on 11 November 2016 before the Commissioner Inland Revenue (Appeals) who upheld the order of DCIR. Afterwards, a second appeal was filed before Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favor of the Company vide order dated 18 April 2018 and remanded back the proceedings to the Learned DCIR / Assistant Commissioner Inland Revenue (ACIR). In second round of proceedings, Assistant Commissioner Inland Revenue (ACIR) once again issued order on 30 April 2019 by ignoring the contentions and submissions of the Company. Being aggrieved with the order an appeal has been filed before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is pending for adjudication.
- (xxi) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 19 February 2016 on the grounds that the Company has made taxable supplies to three steel melters / rerollers but declared lesser quantity of electricity sold amounting to Rupees 199 million during the period from July 2011 to June 2015. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) who upheld the order of DCIR. Afterwards an appeal was filed before Appellate Tribunal Inland Revenue who remanded back the case to DCIR vide order dated 18 April 2018. In second round of proceedings Assistant Commissioner Inland Revenue (ACIR) once again issued orders on 02 April 2019 by ignoring the contentions and submissions of the Company. Being aggrieved with the order an appeal has been filed by the Company before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is pending for adjudication.
- (xxii) The Deputy Commissioner Inland Revenue (DCIR) has passed the order vide no. Audit unit-01/Corporate Zone/TAMS-0763/2010-11/529 dated 14 December 2016 on the grounds that the Company is required to pay sales tax on various heads amounting to Rupees 10,054 million. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 16 January 2017 who upheld the orders of DCIR. A second appeal was filed before Appellate Tribunal Inland Revenue (ATIR) dated 18 September 2017 which has been decided in favour of the Company and remanded the case to DCIR, where it is pending for adjudication.

- (xxiii) The Deputy Commissioner Inland Revenue (DCIR) has passed the order No. 95/2017 dated 27 April 2017 on the grounds that the Company is required to pay sales tax on various heads amounting to Rupees 17,185.81 million. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 25 May 2017. CIR (A) has decided the case by issuing order on 23 July 2018 in favor of the Company by annulling the orders of DCIR and directed him to provide appropriate opportunity of being heard. Proceedings of the case are pending before DCIR for adjudication.
- (xxiv) The Assistant Commissioner Inland Revenue (ACIR) has passed the order vide no. 84 dated 07 April 2017 and raised a demand of sales tax amounting to Rupees 51.9 million on the grounds that the Company has failed to pay extra tax and further tax on supply of electricity to unregistered persons during the period from July 2015 to June 2016. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 05 May 2017. The Learned CIR(A) has issued an order dated 11 April 2018 in favor of the Company by annulling the case. Now the case is pending before ACIR.
- (xxv) The Assistant Commissioner Inland Revenue (ACIR) has passed the order on 28 August 2017 and raised a demand of sales tax amounting to Rupees 565 million on the grounds that the Company has failed to deduct the sales tax during the tax periods from July 2014 to June 2016. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 06 October 2017. CIR(A) has decided the case in favor of the Company vide its order dated 11 April 2018 by annulling the order of the Learned ACIR. Now the case is pending before ACIR.
- (xxvi) The Assistant Commissioner Inland Revenue (ACIR) vide its show cause notice no. 684 dated 04 December 2017 raised question of withholding of sales tax amounting to Rupees 84 million. On submissions made by the Company, the ACIR accepted the contentions of the Company to the extent of Rupees 65 million and rejected the submission of Rupees 19 million. The ACIR issued an order vide 174/2018 dated 28 February 2018 and raised demand of sales tax amounting to Rupees 19 million along with default surcharge amounting to Rupees 1.9 million. Being aggrieved, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 30 March 2018. CIR(A) issued an order on 10 August 2018 in favor of the Company and annulled the order of ACIR. Now the case is pending before the Learned ACIR.
- (xxvii) The Additional Commissioner Punjab Revenue Authority has issued an order vide no. ENF-I, Unit-01, WH/112/2016-17 dated 28 November 2016 alleging that the Company has failed to withhold PRA sales tax amounting to Rupees 1,645 million from payments made on account of services acquired by the Company. Being aggrieved with the order, the Company has filed an appeal before the Commissioner (Appeals) Punjab Revenue Authority (C(A)PRA). The C(A)PRA has issued an order vide no. 27/2017 dated 14 November 2017 reducing the tax liability to Rupees 71 million along with penalty of Rupees 3.5 million. Afterwards, the Company has filed second appeal before the Appellate Tribunal Punjab Revenue Authority on 22 December 2017, the decision of which is awaited.
- (xxviii) The Assistant Commissioner Inland Revenue (ACIR) initiated proceedings through notice no. 99 dated 15 August 2018 alleging that the Company has claimed inadmissible input tax amounting to Rupees 2.8 million. By ignoring the reply and supporting documents ACIR issued order against the Company and raised demand of sales tax amounting to Rupees 2.8 million. Being aggrieved with the order of ACIR the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is still pending.
- (xxix) The Assistant Commissioner Inland Revenue (ACIR) initiated proceedings through notice no. 151 dated 04 June 2018 alleging that the Company has claimed inadmissible input tax amounting to Rupees 33 million on purchase of cement. The ACIR issued order dated 17 August 2018 against the Company. Being aggrieved with the order of the ACIR the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is still pending for adjudication.
- (xxx) The Assistant Commissioner Inland Revenue (ACIR) issued notice on 22 November 2018 alleging that the Company has not charged sales tax on electricity supplied to employees for free of cost. The ACIR issued order on 22 March 2019 and raised demand of sales tax amounting to Rupees 1,056.59 million. Being aggrieved with the order of the ACIR the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is pending for adjudication.
- (xxxi) The Assistant Commissioner Inland Revenue (ACIR) issued notice on 22 November 2018 alleging that the Company has not charged sales tax on reconnection fee recovered from consumers. The ACIR issued order dated 20 March 2019 and raised demand of sales tax amounting to Rupees 9.35 million. Being aggrieved, an appeal was filed before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is still pending for adjudication.
- (xxxii) The Assistant Commissioner Inland Revenue (ACIR) issued notice on 22 November 2018 alleging that the Company has not charged sales tax on Tariff Differential Subsidy (TDS). The ACIR issued an order dated 18 March 2019 and raised a demand of sales tax amounting to Rupees 4,516.7 million. Being aggrieved, an appeal was filed before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is still pending for adjudication.
- (xxxiii) The Assistant Commissioner Inland Revenue (ACIR) issued notice dated 02 April 2019 alleging that the Company has filed sales tax returns after due date as prescribed in the Act. Subsequently, after year end the ACIR issued order dated 23 July 2019 against the Company and raised the demand of penalty and default surcharge amounting to Rupees 0.019 million and 5.103 million respectively. Being aggrieved, an appeal against the order has been filed on 23 August 2019, after reporting date before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is still pending for adjudication.

Aggregate provision of Rupees 39,413.382 million relating to the above stated paragraph numbers 12.1.4(xv) to 12.1.4(xxxiii) has not been recorded in the books of account of the Company on the advice of tax advisor of the Company.

## 12.2 Commitments

Letters of credit for capital expenditure and other than capital expenditure are of Rupees 1,153.065 million (2018: Rupees 1,809.499 million). Keeping in view the nature of Company's business, segregation of capital expenditure and other than capital expenditure is not possible at this stage.

	2019 RUPEES	2018 RUPEES
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>		
Capital work-in-progress (Note 13.1)	10,899,402,994	11,161,660,296
Operating fixed assets (Note 13.2)	97,990,414,860	88,866,676,931
	<u>108,889,817,854</u>	<u>100,028,337,227</u>
<b>13.1 Capital work-in-progress</b>		
Civil works	209,407,849	314,613,184
Distribution equipment (Note 13.1.2)	10,689,995,145	10,847,047,112
	<u>10,899,402,994</u>	<u>11,161,660,296</u>
<b>13.1.1 Movement in capital work-in-progress</b>		
Balance at 01 July	11,161,660,296	8,779,337,950
Add: Additions during the year	<u>8,562,460,880</u>	<u>10,390,640,969</u>
	19,724,121,176	19,169,978,919
Less:		
Transferred to operating fixed assets	8,795,912,542	7,974,910,555
Impairment charged during the year (Note 26)	<u>28,805,640</u>	<u>33,408,068</u>
	8,824,718,182	8,008,318,623
Balance as at 30 June	<u>10,899,402,994</u>	<u>11,161,660,296</u>

**13.1.2** These include borrowing cost of Rupees 144.401 million (2018: Rupees 308.392 million) incurred specifically to finance the construction of distribution equipment. The capitalization rate used was 15.557 (2018: 15.557) percent per annum.

**13.1.3** Depreciation capitalized related to capital work-in-progress was Rupees 5.581 million (2018: Rupees 5.200 million). Moreover operating expenses of Rupees 412.367 million (2018: Rupees 341.834 million) have also been included in capital work-in-progress.

## 13.2

## OPERATING FIXED ASSETS

	Land -Freehold	Land -Leasehold	Buildings on freehold land	Office equipment	Distribution equipment	Other plant and equipment	Vehicles	Total
----- (RUPEES) -----								
<b>At 30 June 2017 - restated</b>								
Cost	353,603,002	2,277,338	3,712,400,180	559,943,313	113,607,212,001	431,605,463	984,566,955	119,651,608,252
Accumulated depreciation	-	(790,164)	(908,204,302)	(224,230,792)	(35,196,464,336)	(284,308,673)	(728,244,459)	(37,342,242,726)
Net book value	353,603,002	1,487,174	2,804,195,878	335,712,521	78,410,747,665	147,296,790	256,322,496	82,309,365,526
<b>Year ended 30 June 2018 - restated</b>								
Opening net book value	353,603,002	1,487,174	2,804,195,878	335,712,521	78,410,747,665	147,296,790	256,322,496	82,309,365,526
Additions	5,076,000	-	323,780,350	5,760,068	10,373,901,871	78,345,210	34,742,786	10,821,606,285
Disposals	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(215,625)	(215,625)
Accumulated depreciation	-	-	-	-	-	-	215,625	215,625
Depreciation charge	-	-	(75,779,430)	(46,422,837)	(4,069,177,392)	(27,393,702)	(45,521,519)	(4,764,294,880)
Closing net book value	358,679,002	1,487,174	3,052,196,798	295,049,752	84,715,472,144	198,248,298	245,543,763	88,866,676,931
<b>At 30 June 2018 - restated</b>								
Cost	358,679,002	2,277,338	4,036,180,530	565,703,381	123,981,113,872	509,950,673	1,019,094,116	130,472,998,912
Accumulated depreciation	-	(790,164)	(983,983,732)	(270,653,629)	(39,265,641,728)	(311,702,375)	(773,550,353)	(41,606,321,981)
Net book value	358,679,002	1,487,174	3,052,196,798	295,049,752	84,715,472,144	198,248,298	245,543,763	88,866,676,931
<b>Year ended 30 June 2019</b>								
Opening net book value	358,679,002	1,487,174	3,052,196,798	295,049,752	84,715,472,144	198,248,298	245,543,763	88,866,676,931
Additions	37,177,432	-	300,673,209	51,866,521	13,077,759,651	351,470,595	3,496,100	13,822,443,508
Depreciation charge	-	-	(82,265,161)	(46,946,611)	(4,485,036,782)	(39,520,936)	(44,936,089)	(4,698,705,579)
Closing net book value	395,856,434	1,487,174	3,270,604,846	299,969,662	93,308,195,013	510,197,957	204,103,774	97,950,414,860
<b>At 30 June 2019</b>								
Cost	395,856,434	2,277,338	4,336,853,739	617,569,902	137,058,873,523	861,421,268	1,022,590,216	144,295,442,420
Accumulated depreciation	-	(790,164)	(1,066,248,893)	(317,600,240)	(43,750,678,510)	(351,223,311)	(818,486,442)	(46,305,027,560)
Net book value	395,856,434	1,487,174	3,270,604,846	299,969,662	93,308,195,013	510,197,957	204,103,774	97,950,414,860
<b>Annual rate of depreciation (%)</b>	-	-	2	10	3.5	10	10	

**13.2.1** The property and rights in the above assets were transferred to the Company on 01 July 1998 by WAPDA in accordance with the terms and conditions of the Business Transfer Agreement (BTA) executed between WAPDA and the Company.

**13.2.2** Furniture and fixture have been included in other plant and equipment and computers have been clubbed in office equipment.

**13.2.3** Title of some of freehold land has not been transferred with the name of Company. Book value of such freehold land is not available separately.

**13.2.4** On 01 March 2019, the Company entered into an Authorization and Interest agreement with Power Holding (Private) Limited (PHPL) and Meezan Bank Limited (MBL), in which Company authorized PHPL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing freehold land at Bahawalpur, Khanpur, Dera Ghazi Khan, Jampur, Bahawalnagar, Multan, Tounsa Shareef, Arifwala and Sahiwal having combined area of 1181 kanal and 14 marla amounting to Rupees 256,940,077. Certain Actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHPL to raise financing through the Sukuk issue. In addition to this agreement, PHPL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the land of the Company and of other distribution and generation companies for a total purchase price of Rupees 200,000 million against which Sukuk certificates will be issued by PHPL for a period of ten years.

**13.2.5** The cost and accumulated depreciation of office equipment, distribution equipment and vehicles have been restated along with intangible asset as given in Note 14, based on the capitalization of USAID grant received during the financial years from 2013 to 2016. This prior period error has been corrected retrospectively in these financial statements in accordance with IAS 8. Consequently as at 30 June 2017, book value of operating fixed assets, intangible asset and deferred credit have been increased by Rupees 1,123,185,541, Rupees 44,692,482 and Rupees 1,167,878,023 respectively. Moreover as at 30 June 2018, the book value of operating fixed assets, intangible asset and deferred credit have been increased by Rupees 1,055,474,127, Rupees 27,397,086 and Rupees 1,082,871,213 respectively. However there was no impact on the loss after taxation for the year ended 30 June 2018.



	<b>2019 RUPEES</b>	<b>2018 RUPEES</b>
<b>13.3 Depreciation charge for the year has been allocated as follows:</b>		
Operating cost	4,693,124,291	4,259,094,586
Capital work-in-progress (Note 13.1.3)	5,581,288	5,200,294
	<u>4,698,705,579</u>	<u>4,264,294,880</u>
<b>14. INTANGIBLE ASSET</b>		
<b>Computer Softwares</b>		
<b>Net carrying value basis</b>		
Balance as at 01 July	27,397,086	44,692,482
Amortization	(17,295,396)	(17,295,396)
Balance as at 30 June	<u>10,101,690</u>	<u>27,397,086</u>
<b>Gross carrying amount</b>		
Cost	86,476,981	86,476,981
Accumulated amortization	(76,375,291)	(59,079,895)
Net book value	<u>10,101,690</u>	<u>27,397,086</u>
Amortization rate (per annum)	<u>20%</u>	<u>20%</u>
<b>14.1</b> These include SAP software, Dongle Software and Global Positioning System (GPS). Total cost of the softwares has been funded by the USAID grant as mentioned in Note 13.2.5.		
<b>15. LONG TERM LOANS AND ADVANCES</b>		
<b>Considered good - secured:</b>		
House building / purchase of plots	92,265,426	87,153,603
Vehicles	26,017,795	28,705,819
	<u>118,283,221</u>	<u>115,859,422</u>
Less: Current portion shown under current assets (Note 19)	37,652,796	38,899,612
	<u>80,630,425</u>	<u>76,959,810</u>
<b>15.1</b> Loans for house building and purchase of plot are repayable in ten years, car and motor cycle loans in five years and bicycle loans in four years. As per Company's policy, interest is charged equal to the profit rate applied on 'General Provident Fund' which is 14.35 percent (2018: 11.70 percent) per annum. The principal amount is recoverable in equal monthly installments and interest is recoverable in lump sum at the time of final settlement of loans. These loans are secured by mortgage of immovable property and hypothecation of vehicles.		
<b>16. LONG TERM DEPOSITS</b>		
These represent security deposits with utility companies against connections.		
<b>17. STORES AND SPARE PARTS</b>		
Stores	7,644,539,367	5,573,694,015
Spare parts	540,936,597	281,626,035
	<u>8,185,475,964</u>	<u>5,855,320,050</u>
Less: Provision for slow moving and obsolete items of stores and spare parts (Note 17.1)	82,050,115	91,734,823
	<u>8,103,425,849</u>	<u>5,763,585,227</u>
<b>17.1 Provision for slow moving and obsolete items of stores and spare parts</b>		
Balance as at 01 July	91,734,823	136,189,441
Less: Reversal of provision for slow moving and obsolete items (Note 27)	(9,684,708)	(44,454,618)
Balance as at 30 June	<u>82,050,115</u>	<u>91,734,823</u>

	<b>2019 RUPEES</b>	<b>2018 RUPEES</b>
<b>18. TRADE DEBTS</b>		
<b>Partially secured:</b>		
Considered good	39,778,792,497	43,119,023,256
Less: Allowance for expected credit losses (Note 18.1)	(10,983,587,907)	(4,073,166,345)
	<u>28,795,204,590</u>	<u>39,045,856,911</u>
<b>18.1 Allowance for expected credit losses</b>		
Balance as at 01 July	4,073,166,345	3,885,816,914
Add: Expected credit loss allowance for the year (Note 26)	6,955,204,725	190,131,302
	<u>11,028,371,070</u>	<u>4,075,948,216</u>
Less:		
Trade debts written off against allowance for expected credit losses	44,783,163	2,781,871
Balance as at 30 June	<u>10,983,587,907</u>	<u>4,073,166,345</u>
<b>18.2</b> Trade debts are partially secured to the extent of corresponding consumers' security deposits. Trade debts as at the reporting date are classified into domestic, commercial, agriculture, public lights, residential colonies and others.		
<b>18.3</b> As at 30 June, ageing analysis of these trade debts is as follows:		
Not past due yet	4,293,695,160	11,498,505,828
Due upto 2 months	2,859,328,926	2,991,978,631
2 to 3 months	233,942,274	127,482,469
3 to 6 months	412,429,391	193,272,356
6 months to 1 year	1,649,131,771	1,265,411,025
1 year to 3 years	2,602,765,852	1,603,698,789
3 years and above	2,588,707,385	2,520,576,599
Balances due from Government	16,802,787,025	13,800,966,506
Deferred arrears (1 year to 3 years)	8,336,004,713	9,117,131,053
	<u>39,778,792,497</u>	<u>43,119,023,256</u>
Less: Allowance for expected credit losses	10,983,587,907	4,073,166,345
	<u>28,795,204,590</u>	<u>39,045,856,911</u>
<b>19. LOANS AND ADVANCES</b>		
<b>Considered good:</b>		
Employees against expenses	37,316,143	47,029,566
Advances to suppliers	274,951,942	325,865,876
Current portion of long term loans and advances (Note 15)	37,652,796	38,899,612
	<u>349,920,881</u>	<u>411,795,054</u>
<b>20. OTHER RECEIVABLES</b>		
<b>Considered good:</b>		
Due from associated companies / undertakings (Note 20.1)	3,537,293,994	3,406,404,327
Sales tax receivable from consumers	13,438,739,583	10,003,629,860
Agriculture subsidy receivable from Government of Punjab	150,006,763	150,006,763
Tariff differential subsidy receivable from Government of Pakistan	39,910,496,354	44,087,904,736
Duties, charges and taxes (Note 20.16)	-	-
Receivable against damaged items during warranty period	38,096,625	21,663,260
Others	90,071,962	27,793,590
	<u>57,164,705,281</u>	<u>57,697,402,536</u>

	2019 RUPEES	2018 RUPEES
<b>20.1 Due from associated companies / undertakings</b>		
Jamshoro Power Generation Company Limited (GENCO-I)	1,556,133	2,808,344
Central Power Generation Company Limited (GENCO-II)	293,995,215	248,945,331
Northern Power Generation Company Limited (GENCO-III)	976,059,922	873,093,196
Lakhra Power Generation Company Limited (GENCO-IV)	571,003	700,441
Lahore Electric Supply Company Limited (LESCO)	416,582,705	447,636,372
Quetta Electric Supply Company Limited (QESCO)	68,769,763	27,020,598
Islamabad Electric Supply Company Limited (IESCO)	79,450,779	71,798,130
Peshawar Electric Supply Company Limited (PESCO)	454,627,978	440,608,265
Sukkur Electric Power Company Limited (SEPCO)	-	1,096,785
National Transmission and Despatch Company Limited (NTDC)	-	208,929,983
WAPDA Current Account	947,323,847	819,120,313
WAPDA Welfare Fund	298,356,649	261,212,882
Power Information Technology Company (Private) Limited	-	3,433,687
	<u>3,537,293,994</u>	<u>3,406,404,327</u>

**20.2** The ageing analysis of amounts due from associated companies / undertakings is as follows:

Upto 6 months	391,284,359	655,900,006
6 months to 1 year	366,504,653	575,646,042
1 year to 3 years	501,070,040	623,283,528
3 years and above	2,278,434,942	1,551,574,751
	<u>3,537,293,994</u>	<u>3,406,404,327</u>

- 20.3** The maximum aggregate amount due from Jamshoro Power Generation Company Limited (GENCO-I) at the end of any month during the year was Rupees 3.22 million (2018: Rupees 2.80 million).
- 20.4** The maximum aggregate amount due from Central Power Generation Company Limited (GENCO-II) at the end of any month during the year was Rupees 303.74 million (2018: Rupees 248.95 million).
- 20.5** The maximum aggregate amount due from Northern Power Generation Company Limited (GENCO-III) at the end of any month during the year was Rupees 993.01 million (2018: Rupees 953.43 million).
- 20.6** The maximum aggregate amount due from Lakhra Power Generation Company Limited (GENCO-IV) at the end of any month during the year was Rupees 0.99 million (2018: Rupees 1.41 million).
- 20.7** The maximum aggregate amount due from Lahore Electric Supply Company Limited (LESCO) at the end of any month during the year was Rupees 480.11 million (2018: Rupees 480.15 million).
- 20.8** The maximum aggregate amount due from Quetta Electric Supply Company Limited (QESCO) at the end of any month during the year was Rupees 68.77 million (2018: Rupees 46.88 million).
- 20.9** The maximum aggregate amount due from Islamabad Electric Supply Company Limited (IESCO) at the end of any month during the year was Rupees 102.15 million (2018: Rupees 72.68 million).
- 20.10** The maximum aggregate amount due from Peshawar Electric Supply Company Limited (PESCO) at the end of any month during the year was Rupees 528.55 million (2018: Rupees 446.37 million).
- 20.11** The maximum aggregate amount due from Sukkur Electric Power Company Limited (SEPCO) at the end of any month during the year was Rupees 2.42 million (2018: Rupees 296.63 million).
- 20.12** The maximum aggregate amount due from National Transmission and Despatch Company Limited (NTDC) at the end of any month during the year was Rupees 115.27 million (2018: Rupees 208.93 million).
- 20.13** The maximum aggregate amount due from Water and Power Development Authority (WAPDA) current account at the end of any month during the year was Rupees 1,373.43 million (2018: Rupees 2,443.05 million).
- 20.14** The maximum aggregate amount due from Water and Power Development Authority (WAPDA) welfare fund at the end of any month during the year was Rupees 298.36 million (2018: Rupees 261.21 million).
- 20.15** The maximum aggregate amount due from Power Information Technology Company (Private) Limited (PITC) at the end of any month during the year was Rupees 3.53 million (2018: Rupees 3.43 million).

	2019 RUPEES	2018 RUPEES
<b>20.16 Duties, charges and taxes</b>		
Receivables not yet realized:		
Electricity duty	265,120,574	236,031,142
Income tax	321,219,743	371,261,427
Other taxes	87,308,477	70,876,507
Neelum Jhelum surcharge	231,922,348	198,461,758
Debt service surcharge	906,830,035	745,799,248
Universal obligation surcharge	155,525,181	757,104,822
T.V. license fee	117,366,195	114,189,285
Equalization surcharge	8,807,433	9,246,029
	<u>2,094,099,986</u>	<u>2,502,970,218</u>
Payables not yet realized:		
Electricity duty	(265,120,574)	(236,031,142)
Income tax	(321,219,743)	(371,261,427)
Other taxes	(87,308,477)	(70,876,507)
Neelum Jhelum surcharge	(231,922,348)	(198,461,758)
Debt service surcharge	(906,830,035)	(745,799,248)
Universal obligation surcharge	(155,525,181)	(757,104,822)
T.V. license fee	(117,366,195)	(114,189,285)
Equalization surcharge	(8,807,433)	(9,246,029)
	<u>(2,094,099,986)</u>	<u>(2,502,970,218)</u>
	-	-

**20.16.1** These represent the amounts billed to the customers on behalf of the respective authorities and are receivable at year end which have been netted off against their respective payables.

**21. TAX REFUNDS DUE FROM GOVERNMENT**

Income tax	1,868,796,960	1,933,953,804
Sales tax	4,810,490,611	8,739,910,295
	<u>6,679,287,571</u>	<u>10,673,864,099</u>

**22. BANK BALANCES**

Current accounts	29,123,711	162,143,395
Deposit accounts (Note 22.1)	1,801,134,333	2,292,352,364
Term deposit receipts (Note 22.2)	8,627,629,754	7,766,242,811
	<u>10,457,887,798</u>	<u>10,220,738,570</u>

**22.1** Rate of profit on deposit accounts ranges from 3.75 percent to 10.25 percent (2018: 3.75 percent to 5.60 percent) per annum.

**22.2** These represent term deposit receipts placed with different banks having maturity period of one to three (2018: one to three) months at profit rates ranging from 10.00 percent to 12.50 percent (2018: 4.00 percent to 6.75 percent) per annum.

**23. SALES OF ELECTRICITY**

Gross sales	193,456,721,670	163,767,589,878
Less: Sales tax	28,109,096,311	23,795,290,837
	<u>165,347,625,359</u>	<u>139,972,299,041</u>

**24. TARIFF DIFFERENTIAL SUBSIDY**

This represents the tariff subsidy claimed from the Government of Pakistan as the difference between rates determined by NEPRA and rates charged to the consumers as notified by the Government of Pakistan from time to time.

**25. COST OF ELECTRICITY**

The Company purchased electricity from CPPA and other private power producers. The electricity purchased during the year has been accounted for according to invoices issued by CPPA and adjusted in accordance with monthly fuel price adjustment determined and notified by NEPRA.

	2019 RUPEES	2018 RUPEES
<b>26. OPERATING EXPENSES EXCLUDING DEPRECIATION</b>		
Salaries, wages and other benefits	9,174,535,394	8,673,080,416
Staff retirement benefits (Note 6.2)	8,678,846,893	6,550,418,754
Repair and maintenance	1,725,590,787	1,298,643,998
Travelling and conveyance	985,638,113	988,385,414
Electricity bills collection charges	515,747,868	419,970,250
Transportation	364,247,145	355,414,408
Advertising and publicity	49,167,906	59,729,495
Office supplies and other expenses	242,123,990	164,461,000
Legal and professional	33,865,767	41,510,404
Auditors' remuneration (Note 26.1)	1,150,000	1,675,000
Power, light and water	91,173,885	81,236,575
Computer and outside services	526,603,244	427,712,480
Telephone and postage	66,623,126	53,875,257
Management fees	121,387,617	208,916,070
Rent, rates and taxes	23,411,165	23,649,593
Insurance	34,272,659	32,800,655
Allowance for expected credit losses (Note 18.1)	6,955,204,725	190,131,302
Exchange loss	1,841,518	-
Impairment of capital work in progress (Note 13.1.1)	28,805,640	33,408,068
Other charges (Note 26.2)	2,732,320,532	2,611,979,498
	<u>32,352,557,975</u>	<u>22,216,998,637</u>
Less: Charged to capital work-in-progress (Note 13.1.3)	412,367,859	341,833,798
	<u>31,940,190,116</u>	<u>21,875,164,839</u>
<b>26.1 Auditor's remuneration</b>		
Audit fee	850,000	850,000
Half yearly review fee	-	400,000
Other certification fee	150,000	150,000
Reimbursable expenses	150,000	275,000
	<u>1,150,000</u>	<u>1,675,000</u>
<b>26.2</b>	These include supplemental charges of Rupees 2,171.19 million (2018: Rupees 1,642.39 million) passed on the Company, which comprise re-allocation of mark-up on late payments imposed by Independent Power Producers (IPPs) to CPPA on the basis of average outstanding balance.	
<b>27. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Profit on deposits with banks	823,414,653	607,618,615
Late payment surcharge	2,171,197,235	2,086,555,160
Exchange gain	-	372,413
	<u>2,994,611,888</u>	<u>2,694,546,188</u>
<b>Income from non-financial assets</b>		
T.V. license fee services	40,675,225	32,659,252
Meter / service rent	70,440,954	53,980,377
Miscellaneous service charges	91,181,175	80,546,965
Reconnection fees	67,636,839	47,011,703
Sale of scrap	46,869,963	14,696,495
Credit balances written back	51,222,439	141,244,620
Reversal of provision for slow moving and obsolete items (Note 17.1)	9,684,708	44,454,618
Gain on disposal of property, plant and equipment	-	300,000
Miscellaneous	440,599,511	316,996,576
	<u>818,310,814</u>	<u>731,890,606</u>
	<u>3,812,922,702</u>	<u>3,426,436,794</u>
<b>28. FINANCE COST</b>		
Mark-up on long term financing	1,336,863,528	1,121,515,821
Markup transferred from GoP	948,697,830	-
Bank charges and commission	4,452,579	11,502,388
	<u>2,290,013,937</u>	<u>1,133,018,209</u>

**29. TAXATION****29.1 Current**

Provision for current taxation is not made due to available tax losses and brought forward tax credit for non-equity investment in plant and machinery under section 65B of Income Tax Ordinance, 2001. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of accumulated tax losses of the Company.

	<b>2019 RUPEES</b>	<b>2018 RUPEES</b>
<b>29.2 Deferred</b>		
Deferred income tax effect due to:		
Accelerated tax depreciation	17,541,708,604	15,753,841,168
Allowance for expected credit losses	(3,185,240,493)	(1,181,218,240)
Provision for slow moving and obsolete items of stores and spare parts	(23,794,533)	(26,603,099)
Staff retirement benefits	(22,960,871,093)	(20,414,304,739)
Unused tax losses and credit	<u>(151,581,851,680)</u>	<u>(118,576,556,901)</u>
Net deferred income tax asset	(160,210,049,195)	(124,444,841,811)
Unrecognized deferred income tax asset (Note 29.3)	160,210,049,195	124,444,841,811
	<u>-</u>	<u>-</u>

**29.3** Deferred income tax asset has not been recognized in these financial statements due to uncertainty in availability of sufficient future taxable profits as these temporary differences are not likely to reverse in the foreseeable future.

		<b>2019</b>	<b>2018</b>
<b>30. LOSS PER SHARE</b>			
<b>Basic loss per share</b>			
Loss after taxation	(Rupees)	<u>(22,782,328,946)</u>	<u>(33,824,726,827)</u>
Weighted average number of ordinary shares	(Numbers)	<u>1 082 363 604</u>	<u>1 082 363 604</u>
Loss per share - Basic	(Rupees)	<u>(21.05)</u>	<u>(31.25)</u>
<b>Diluted loss per share</b>			
Loss after taxation	(Rupees)	<u>(22,782,328,946)</u>	<u>(33,824,726,827)</u>
Weighted average number of ordinary shares including deposit for shares	(Numbers)	<u>4 216 126 821</u>	<u>4 141 389 666</u>
Loss per share - Diluted	(Rupees)	<u>(5.40)</u>	<u>(8.17)</u>

		<b>2019 RUPEES</b>	<b>2018 RUPEES</b>
<b>31. CASH GENERATED FROM OPERATIONS</b>			
<b>Loss before taxation</b>		(22,782,328,946)	(33,824,726,827)
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation		4,693,124,291	4,259,094,586
Provision for staff retirement benefits		8,678,846,893	6,550,418,754
Amortization of intangible asset		17,295,396	17,295,396
Amortization of deferred credit		(2,758,528,394)	(2,490,165,155)
Allowance for expected credit losses		6,955,204,725	190,131,302
Provision for slow moving and obsolete items of stores and spare parts reversed during the year		(9,684,708)	(44,454,618)
Impairment of capital work-in-progress		28,805,640	33,408,068
Profit on bank deposits		(823,414,653)	(607,618,615)
Credit balances written back		51,222,439	141,244,620
Gain on disposal of property, plant and equipment		-	(300,000)
Finance cost		2,290,013,937	1,133,018,209
Working capital changes (Note 31.1)		11,561,248,573	32,723,216,568
		<u>7,901,805,194</u>	<u>8,080,562,288</u>

	2019 RUPEES	2018 RUPEES
<b>31.1 Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spare parts	(2,330,155,914)	(1,778,415,371)
Trade debts	3,295,447,596	(11,690,335,176)
Loans and advances	60,627,357	(154,705,334)
Other receivables	532,697,255	(18,938,904,278)
Tax refunds due from Government	3,994,576,528	1,235,249,559
	<u>5,553,192,822</u>	<u>(31,327,110,600)</u>
Increase in trade and other payables	6,008,055,751	64,050,327,168
	<u>11,561,248,573</u>	<u>32,723,216,568</u>

**31.2 Reconciliation of movement of liabilities to cash flows arising from financing activities:**

	Long term financing	Long term security deposits	Receipt against deposit works and deferred credit	Total
	RUPEES			
Balance as at 01 July 2018	13,707,273,169	8,164,534,805	72,669,102,565	94,540,910,539
Financing obtained	554,481,341	-	-	554,481,341
Repayment of financing	(74,158,360)	-	-	(74,158,360)
Security deposits received	-	1,015,307,669	-	1,015,307,669
Receipts against deposit work received-net	-	-	8,007,278,135	8,007,278,135
Amortization of deferred credit	-	-	(2,758,528,394)	(2,758,528,394)
Balance as at 30 June 2019	<u>14,187,596,150</u>	<u>9,179,842,474</u>	<u>77,917,852,306</u>	<u>101,285,290,930</u>

**32. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

Aggregate amount charged in these financial statements in respect of remuneration including all benefits to the Chief Executive Officer and executives of the Company are as follows:

	2019		2018	
	RUPEES	RUPEES	RUPEES	RUPEES
	<b>Chief Executive Officer</b>		<b>Executives</b>	
Basic pay	1,586,760	1,586,760	80,558,880	81,678,828
Allowances	2,414,243	1,730,631	78,638,736	65,046,228
Meeting fee	980,000	1,330,000	-	-
	<u>4,981,003</u>	<u>4,647,391</u>	<u>159,197,616</u>	<u>146,725,056</u>
Number of persons	<u>1</u>	<u>1</u>	<u>53</u>	<u>55</u>

**32.1** The Chief Executive Officer is provided unfurnished accommodation, free electricity, free use of Company's maintained vehicle and telephone facility as per the Company's rules. Moreover, all executives are provided free electricity and some of the executives are also provided unfurnished accommodation, free use of Company's maintained vehicle and telephone facility as per Company's rules.

**32.2** Aggregate amount charged in the financial statements for meeting fee to 10 (2018: 10) directors was Rupees 4.45 million (2018: Rupees 9.31 million).

**32.3** No remuneration was paid to any Director of the Company.

**33. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise associated companies / undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2019 RUPEES	2018 RUPEES
<b>Associated companies / undertakings:</b>		
Purchase of electricity	225,725,413,330	192,693,791,151
Free supply of electricity provided to employees of associated companies	244,230,937	171,504,965
Free supply of electricity received by employees of the Company	135,700,088	27,360,919
Electricity bills of the Company received by associated companies	1,248,138	921,803
Electricity bills of associated companies received by the Company	1,233,493	758,193
Pension paid to employees of associated companies	888,608,506	754,605,799
Pension received by employees of the Company from associated companies	278,587,181	193,664,760
Finance cost	2,285,561,358	1,121,515,821

**33.1** Detail of compensation to key management personnel comprising of Chief Executive officer, Directors and executives is disclosed in Note 32.

**33.2 Associated companies / undertakings with whom the Company have transactions during the year:**

Jamshoro Power Generation Company Limited (GENCO-I)  
 Central Power Generation Company Limited (GENCO-II)  
 Northern Power Generation Company Limited (GENCO-III)  
 Lakhra Power Generation Company Limited (GENCO-IV)  
 National Transmission and Despatch Company Limited (NTDC)  
 Central Power Purchasing Agency (Guarantee) Limited (CPPA)  
 Lahore Electric Supply Company Limited (LESCO)  
 Quetta Electric Supply Company Limited (QESCO)  
 Islamabad Electric Supply Company Limited (IESCO)  
 Peshawar Electric Supply Company Limited (PESCO)  
 Hyderabad Electric Supply Company Limited (HESCO)  
 Sukkur Electric Power Company Limited (SEPCO)  
 Faisalabad Electric Supply Company Limited (FESCO)  
 Gujranwala Electric Power Company Limited (GEPCO)  
 Water and Power Development Authority (WAPDA)  
 Power Information Technology Company (Private) Limited (PITC)

**33.2.1** The Company and all of the above mentioned companies / undertakings are under common control of GoP with the Ministry of Water and Power.

	2019	2018
<b>34. NUMBER OF EMPLOYEES</b>		
Number of employees as on 30 June	17 108	16 963
Average number of employees during the year	17 036	16 637

**35. FINANCIAL RISK MANAGEMENT**

**35.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

**(a) Market risk**

**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from currency exposure, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from the foreign entities. The Company's exposure to currency risk was as follows:

	2019	2018
Trade and other payables - USD	(47,646)	(47,646)
Loans and advances - USD	-	37,904
Net exposure - USD	<u>(47,646)</u>	<u>(9,742)</u>

Following significant exchange rates were applied during the year:

**Rupees per US Dollar**

Average rate	140.92	110.43
Reporting date rate	160.25	121.60



## Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year would have been by Rupees 0.382 million (2018: Rupees 0.059 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

### (ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

### (iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing, long term advances, bank balances in saving accounts and term deposit receipts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2019 RUPEES	2018 RUPEES
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Long term advances	118,283,221	115,859,422
<b>Financial liabilities</b>		
Long term financing	14,061,123,790	13,506,642,449
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	1,801,134,333	2,292,352,364
Term deposit receipts	8,627,629,754	7,766,242,811

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

#### Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 104.288 million (2018: Rupees 100.586 million) lower / higher, mainly as a result of higher / lower interest income on floating rate financial instruments. This analysis is prepared assuming amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Trade debts	39,778,792,497	43,119,023,256
Loans and advances	118,283,221	115,859,422
Accrued interest	103,482,195	48,504,557
Deposits	49,185	49,185
Other receivables	17,104,202,164	13,459,491,037
Bank balances	10,457,887,798	10,220,738,570
	<u>67,562,697,060</u>	<u>66,963,666,027</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2019	2018
	Short term	Long term	Agency	(RUPEES)	
Allied Bank Limited	A1+	AAA	PACRA	352,020,528	2,752,430,294
United Bank Limited	A-1+	AAA	VIS	2,213,104,374	2,053,672,997
MCB Bank Limited	A1+	AAA	PACRA	720,022,140	193,310,467
Habib Bank Limited	A-1+	AAA	VIS	2,511,508,020	208,329,091
National Bank of Pakistan	A-1+	AAA	VIS	745,216,534	1,149,084,398
The Bank of Punjab	A1+	AA	PACRA	751,546,253	-
Bank Alfalah Limited	A1+	AA+	PACRA	25,275,807	13,237,194
				<u>7,318,693,656</u>	<u>6,370,064,441</u>
			<b>Sub total:-</b>		

	Rating			2019	2018
	Short term	Long term	Agency	(RUPEES)	
Bank Al-Habib Limited	A1+	AA+	PACRA	653,554,864	295,420,845
Meezan Bank Limited	A-1+	AA+	VIS	503,456,499	425,826,120
Sonen Bank Limited	A1+	AA-	PACRA	864,451,651	1,102,628,424
Askari Bank Limited	A1+	AA+	PACRA	2,997,560	13,991,390
Faysal Bank Limited	A1+	AA	PACRA	866,536,574	1,579,856,104
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	76	108,554,176
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	-	3,144
Zarai Taraqiat Bank Limited	A-1+	AAA	VIS	-	67,303,250
Summit Bank Limited*			VIS	-	1,630,035
JS Bank Limited	A1+	AA-	PACRA	69,689	5,074,003
Silk Bank Limited	A-2	A-	VIS	-	385,561
First Women Bank Limited	A2	A-	PACRA	-	335,685
AlBaraka Bank (Pakistan) Limited	A1	A	PACRA	2,584,758	4,482,136
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	-	1,560,317
The Bank of Khyber	A1	A	PACRA	-	1,563,375
Trust Investment Bank Limited**			N/A	214,373,418	214,373,418
The Punjab Provincial Cooperative Bank Limited***			N/A	31,169,053	27,686,146
<b>Sub total:-</b>				<u>3,139,194,142</u>	<u>3,850,674,129</u>
<b>Grand total:-</b>				<u>10,457,887,798</u>	<u>10,220,738,570</u>

\* VIS has suspended the credit rating of the Bank till availability of updated financial information, as no financial statements have been made available by the Bank after the period ended March 2018.

\*\* PACRA has withdrawn the credit ratings of the Bank since 19 November 2012 on the request of the Bank's management as SECP has not renewed Bank's license to operate investment finance services.

\*\*\* State Bank of Pakistan has exempted the Bank from credit rating requirements till the completion of its restructuring process.

The Company's exposure to credit risk and expected credit losses related to trade debts is disclosed in Note 18.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

#### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The cash management has not yet been delegated to the Company and WAPDA disburses funds to the Company as and when needed. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Following are the contractual maturities of financial liabilities as at 30 June 2019:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-3 years	More than 3 years
(RUPEES)						
<b>Non-derivative financial liabilities:</b>						
Long term financing	14,187,596,150	34,612,490,593	4,665,353,058	475,824,418	2,766,721,211	26,704,591,906
Long term security deposits	9,179,842,474	9,179,842,474	-	-	-	9,179,842,474
Trade and other payables	113,843,017,322	113,843,017,322	113,843,017,322	-	-	-
Accrued mark-up	9,305,254,845	9,305,254,845	9,305,254,845	-	-	-
	<u>146,515,710,791</u>	<u>166,940,605,234</u>	<u>127,813,625,225</u>	<u>475,824,418</u>	<u>2,766,721,211</u>	<u>35,884,434,380</u>

Following are the contractual maturities of financial liabilities as at 30 June 2018:

	Carrying amount	Contractual cash flows	6 months or less	Less than 1 year	1-3 years	More than 3 years
(RUPEES)						
<b>Non-derivative financial liabilities:</b>						
Long term financing	13,707,273,169	33,405,263,917	4,038,687,197	446,647,665	2,517,163,124	26,402,765,931
Long term security deposits	8,164,534,805	8,164,534,805	-	-	-	8,164,534,805
Trade and other payables	107,572,009,095	107,572,009,095	107,572,009,095	-	-	-
Accrued mark-up	7,823,989,341	7,823,989,341	7,197,300,878	-	626,688,463	-
	<u>137,267,806,410</u>	<u>156,965,797,158</u>	<u>118,807,997,170</u>	<u>446,647,665</u>	<u>3,143,851,587</u>	<u>34,567,300,736</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 5 to these financial statements.

#### (d) Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern. The Company is not exposed to any external capital requirement. As public interest entity, financial support is available to the Company from Federal Government and WAPDA in the form of delayed settlement of CPPA against electricity purchase, tariff revision and subsidy on purchases.

### 35.2 Financial instruments by categories

	2019	2018
	RUPEES	RUPEES
<b>As at 30 June</b>		
<b>Assets as per statement of financial position</b>		
Trade debts	39,778,792,497	43,119,023,256
Loans and advances	118,283,221	115,859,422
Accrued interest	103,482,195	48,504,557
Deposits	49,185	49,185
Other receivables	17,104,202,164	13,459,491,037
Bank balances	10,457,887,798	10,220,738,570
	<u>67,562,697,060</u>	<u>66,963,666,027</u>
	<b>At amortized cost</b>	
<b>Liabilities as per statement of financial position</b>		
Long term financing	14,187,596,150	13,707,273,169
Long term security deposits	9,179,842,474	8,164,534,805
Trade and other payables	113,843,017,322	107,572,009,095
Accrued mark-up	9,305,254,845	7,823,989,341
	<u>146,515,710,791</u>	<u>137,267,806,410</u>

### 35.3 Offsetting financial assets and financial liabilities

As on the reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

### 36. RECOGNIZED FAIR VALUE MEASUREMENTS

#### Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

### 37. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 05 OCT 2019 by the Board of Directors of the Company.

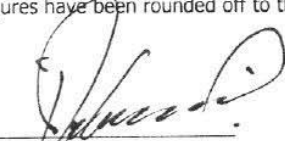
### 38. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified for better presentation, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made except following:

PARTICULARS	RECLASSIFICATION		RUPEES
	FROM	TO	
Other loans - unsecured	Receipt against deposit works	Long term financing	30,455,000

### 39. GENERAL

Figures have been rounded off to the nearest Rupee.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR